

Convergence Think Tank Launch

7 February 2008

Opening Address

Andy Burnham MP

Secretary of State for Culture, Media and Sport

I. Welcome

Good afternoon, ladies and gentlemen. Thank you very much for giving up your time to be here this early on a Thursday. There are many jokes and references I could give with regards to the venue, but I will start by saying, ‘It is a divisive choice of the Purnell era to bring me to the Emirates Stadium!’ Perhaps I could bring you to the more analogue surroundings of Goodison Park for the second seminar!

I am genuinely grateful to you all for giving your time this morning to contribute to this process. I hope it will be – for you as well as for the Government – a rich and rewarding process that helps us grapple with a very complex area. It is an area that has huge implications for us all, and not just as professionals in the work that we do, but as citizens of this country.

II. The Issue of Convergence and the Work of the Think Tank

1. Opportunity and Potential

There is no difference between how James Purnell and I see the importance of the issue of convergence and the work of this Think Tank which James established. This is a significant and influential process for us all, involving the worlds of broadcasting, communications, the media, and also going into politics. Between us, we have the opportunity to explore ideas, share information and offer perspectives that will potentially be to all our mutual benefit. We will get more out of this together by taking forward the process in this way rather than addressing the issues from our narrow perspectives.

2. The Communications Act

It is strange returning to the Department of Culture, Media and Sport, having left seven years ago as a special advisor. I feel like the prodigal son at the moment, having been wandering the philistine wastelands of the Home Office, the Department of Health and the Treasury. However, I am back and it is good to be back.

I was in the department at the time we were looking at the Communications White Paper, which became the Communications Bill and then the 2003 Communications Act. What I remember about that, and as a piece of context for today's event, was that it was an inclusive process. The White Paper did adopt an open and inclusive approach that was engaging of a wide range of interests. Because of that, I believe we are stronger as a White Paper. We then produced a sound piece of legislation that has been successful in steering a course through the changing world in which we live in.

At the time, we would quickly leap to the technological solutions that we thought might be the future. We used to talk about how we would be emailing through our televisions, for example. Perhaps some people still do. I sent one email through my television before putting the keyboard back in the drawer. We had many ideas about how the future would change.

3. Values for the Future

One of the important things about this process, at the beginning, is to not become trapped by the excitement of how technology might change and what it might do, and really focus on what is important about our communications industry, our broadcasting industry, and what are the values we want to carry forward into the new age. From there, we can ensure that we are coming up with the right policy solutions to achieve those things.

This is building on the experience of the Communications Act. I hope that this Think Tank will take that process a stage further and improve again the Government's policy-making process. It is a very intelligent and grown-up initiative, in my view. The aim is to engage with as many people as possible.

4. Understanding the Public

The danger is – and this is as true of politicians as anyone who works in the communications industry or broadcasting – that it becomes a process of insiders talking to insiders. That is something that at all times we should seek to be watchful of and to resist. At all times, we need to understand where the public is really at, in terms of their understanding and their use and their experience. We must not get trapped into the position where we are constantly racing ahead of them and putting forward a vision of the future that may not be shared by the public.

5. Understanding Young People

It is crucially important that this process is informed by the views of consumers, citizens, and, particularly in this policy area, the views of young people. If we make a concerted effort to ensure that we are understanding how young people expect to use communications technology and broadcasting into the future, then that will help inform our work. I hope that that will be something that people will share.

6. Contribution

Going forward, we will have a series of seminars of which today is the first. A website has been opened and we would welcome any contribution that you think would be helpful to inform our thinking. We would like to have an exploratory and open process. All contributions are welcome.

7. An Interim Report

Later this year, we intend to publish an interim report. We began our thinking with Robin Foster's excellent report on the possible futures for broadcasting regulation. The Convergence Think Tank locates that debate in a broader landscape. At this time, we need a distillation of the knowledge and understanding about what is best about the old landscape; what is worth preserving, updating or transforming. Can it indeed be preserved? What are the possibilities of the new landscape and how we can help them grow and develop?

8. Acknowledgements

There is a real encouragement to the Department for Culture, Media and Sport and to the Department for Business Enterprise and Regulatory Reform who are taking this process with us. We have such a spread of expertise and experience with us in this process. We are very grateful that you are committing to this process at a senior level.

I would especially like to thank the Think Tank independent experts: Robin Foster, Chris Earnshaw, John Willis and Tess Read. I would also like to thank today's extraordinary and distinguished panel who will get us off to the very best of starts. This is, by any account, an extremely strong line-up. They all have many demands on their time. Their commitment here today demonstrates how important industry is thinking about these issues as well as the government.

III. Guiding Themes

1. Government's Goals for Media Policy

I would like to give you some themes to guide the work of this Think Tank and, more generally, the Government's basic goals for media policy. They are:

- At all times, we should have an open market able to provide the best climate for innovation and creativity.
- There should be universal access to distinctive and original content of the very highest quality.
- We should put consumers in charge so that they can take full advantage of the opportunities that convergence can bring.

I believe it is helpful to have those three principles as the cornerstone of this debate.

2. Questions to Consider

We must make sure that we consider how the whole of the population use the media, and not just those who are at the front-end and those most likely to be the early adopters or earliest users of new technology. We must make sure that everyone is able to benefit as empowered and informed consumers.

I do not want to be prescriptive, but I believe it is helpful at this stage to pose some questions. Here are a few:

- 30-35% of households still do not have home access to the internet, let alone broadband. Can we begin to understand why that is so? Is that a matter of choice or is it a factor of cost or location?
- There is a digital divide. How can we make sure that the converged world is indeed inclusive?
- Is the existing infrastructure able to cope with future demands? At Cabinet on Tuesday we had a presentation about the future challenges for the country. We were given information on how other countries have made an early decision to invest in the very highest grade technology. Is that something that needs to be on our minds as well?
- What are these demands for infrastructure? What do we need to do now to enable the infrastructure to develop and grow? What is the Government's role in that?
- With regards to content, who will be the content providers of the future? How will content be accessed? What does this mean for protecting children and the vulnerable? Indeed, what does it mean to be a parent in today's converging world? The recent Westminster Media Forum discussed Video on Demand and flagged up these real issues. They asked: how do you regulate in a global converged world? This is a question at the very heart of this process.
- On Public Service Broadcasting (PSB), Sir Michael Lyons and James Purnell put forward their views at Oxford. How do we take that debate further forward? How do we fund public service broadcasting? Who should be funded out of the sources of revenue for public service broadcasting?

Some of these questions revolve around finance and business models while others raise ethical or practical issues. All questions need to be considered by this Think Tank.

3. Contributing towards Policy-Making

I do want to emphasise: this is a dialogue where the emerging conclusions will go to the very heart of the policy-making submissions so that we can come back to you with a considered and soundly-based policy response. At this stage, it would be too early to say that it will lead to an absolute conclusion; that the Government has in mind a new Communications Act or a new piece of landmark legislation according to a particular timetable. That might be the case, but it might not be the case.

My mind is open as to where this process may take us in terms of the legislative and regulatory changes that we need to do. That is the right place to be. We should be guided by the emerging findings from this process, rather than starting with a fixed view about what needs to happen in the changing world. That said, if it is clear that we need to take early action, we will.

4. Drawing on Current Findings

We need to take account of the work that John Hutton and the Department of Business, Enterprise and Regulatory Reform (BERR) are doing on broadband rollout and Next Generation Access. Working closely and in parallel with Ofcom's PSB review and Ofcom, we hope that this will help advise the Convergence Think Tank Steering Group. We also need to draw on the findings of Dr Tanya Byron's review, and on the work of the Digital Radio Working Group. All of those workstreams will feed into this process and enrich it.

5. Considering the Individual

There are, of course, a welter of technical issues, of regulatory issues, complex policy, and complex science and technology. However, let us always bring it back to the individual: the individual citizen, the individual viewer, the individual consumer and user of communications services.

It is most important that we understand how people are living their lives today. At the same time as understanding the opportunities that this changing world gives to people to improve their quality of life and the information they can access, we also understand how, for some people, it may represent a threat or a challenge that is disorientating or makes them fearful.

6. A Generational Divide

As a parent of three young children, it is clear to me that the way in which young people are accessing content is incredibly different than everyone here did when they were young. Talking of digital divides, perhaps the biggest digital divide is between our generation now and the younger generation of people coming forward today who are using technology in a very different way and who have a very different understanding of what that means. Understanding the generational shift is incredibly important.

7. Being Clear about our Goals

The world, post 2012, will change significantly. Broadcasters and content providers will not need the Government's permission to reach the whole of the population. That, of course, is a very different world and a very different society in which we will live. I am absolutely clear that our objective through this process, the Government's objective, is to be clear of our goals in that changed world:

- Continuing to have the same high class, impartial news, drama, and the shared experiences that are the national glue of this country.
- Sport that continues to be free for all, particularly national sport.
- The regional news and programming that is so important to people.

Before coming back into this job, I had a glimpse of the future. In some ways, it is not a very attractive one. It is a world where the content available either ranges from the very personal and localised created by individuals or communities to the global, place-less international programming that perhaps is too freely available on our televisions. For example, a programme that does not speak to people about their lives or their local or regional identity.

IV. Closing Remarks

It is very important, as we move forward, that we are clear about our goals, but that we are open-minded about how we can best achieve them in the changing world. I hope that you will navigate us through these difficult challenges.

I would like to thank you again for giving your time this morning. I am certain that this will be a process that, if we get it right and contribute in the right way, and if we put aside our narrow interests, we can create through this a set of conclusions that will stand the country in extremely good stead for years to come. More than that, it can place the country in a very clear competitive advantage as we face the challenges of this coming century.

I hope this process is as rewarding for you as I am sure it will be for the Government.

Introduction by the Chair, Robin Foster, and presentation by Ed Richards, Chief Executive of Ofcom

Due to technical problems, full transcripts of the Introduction by the Chair, Robin Foster, and the presentation by Ed Richards, Chief Executive of Ofcom, are not available. Drafts of Robin Foster's comments and Ed Richards' presentation have been posted separately.

A full transcript of the remainder of the panel sessions follows below.

Convergence and the BBC

Mark Thompson
Director General, BBC

I. Background

The story of the BBC so far in Digital Britain has been of the BBC trying in three ways to try to promote these two goals of open universal access and access to content. The three ways have been by launching and investing in high quality content and digital services, such as bbc.co.uk, digital TV and digital radio.

Also, interactive services, such as the red button services, which have been extraordinarily good at reaching people in their socioeconomic groups who are less likely to be early adopters of digital technology. Approximately 11 million people use our red button services every week at the moment.

We launched WebWise many years ago. It provides access to information about the web. 70-90,000 people a week access WebWise.

II. Content, Services and Promotion

The first way has been through outstanding content and services. The second way has been in trying to use devices such as WebWise and promotion across our mass audience services to bring people to digital. At the moment, we are taking a leading role in helping Britain switch from analogue to digital television.

The kind of public information and support we can give – the cross-promotion of devices such as iPlayer and bbc.co.uk – has made a significant difference to the speed of take up within digital services. As we look forward, this could be critical, especially if it is combined with the investment in high quality services.

III. Partnership

The third way has been in partnership. This has been, over the last five or 10 years, something of a departure for the BBC. Partnerships creating Freeview, soon Freesat, High Definition, the process of switch-over, and digital audio broadcasting. These are very important approaches of partnership.

Our goal, as a broadcaster, should be to work in partnership to try and use the combination of the attraction of very high quality content, our particular ability to reach out, attract and explain digital, especially to hard to reach audiences, and the right kind of partnership to deliver what we need to deliver.

IV. Market Considerations

The market can and should have a central role in driving convergence. Market considerations can and should be very important in what the BBC and the other public service broadcasters do. The BBC Trust will be looking directly, with the support of Ofcom, at what the potential market impact of what the BBC's steps in this world will be. Our ambition should be, wherever possible, not just to deliver net public value, but to actually achieve net positive market impact. In other words, we need to figure out ways in which the BBC can actually help build and grow markets in this new space.

We believe the market has a vital role to play. Competitive and the widest possible consumer choice will help the speed and success of take-up.

V. Universality

We can bring a particular focus on the universality. One obvious point about the BBC is that every household is worth the same to us. We do not have high ARPU households who are particularly attractive to us. Every single person is worth the same. Because of that, and because of our public purpose, we want everyone to enjoy the benefits of convergence.

Panel Discussion

John Willis

You said that the challenge for the Government was to ensure that, in this converged world, we have open spaces. What do you think the obstacles for those open spaces are and what policy interventions should the Government – or indeed this Think Tank – consider to overcome those obstacles and to create the open space that is necessary?

Mark Thompson

I will give you an example. One of the things I believe we will see over the next few years is something of a race to plug the internet into the television set. Arguably, we have already seen the beginnings of this. I believe that one of the great virtues of the internet world is that the end users, sitting at home or in the office, can choose whatever they want to see and listen to.

We believe that radio remains a central part of this story. Specifically BBC Radio and the future of BBC Radio is a vital part of the public service delivery of the BBC's overall public purposes.

As different people figure out different ways of making the world of the internet available on television, as far as possible there need to be open platforms and consumers need to be able to choose freely the content they want.

A generation ago, the BBC would have been in favour as far as possible of closed platforms in which it was a key player. We now very much want to be on the side of opening up platforms and working with others to make sure that, wherever we can, in terms of technology and in terms of the wider regulatory environment, people must be able to get the widest choice of options they can of what they can see, what they can listen to, and how they can interact with these new technologies.

Convergence and BT

Emma Gilthorpe

Group Director of Industry Policy and Regulation, BT

I. Introduction

Thank you for the opportunity to participate this morning. I am not going to spend too much time defining what convergence means from a market, product or service perspective. I hope that, at some point, someone will so that we all know what it is that we are dealing with.

II. Practical Implications

I would like to briefly dwell on the more practical implications of convergence. For many of us, convergence conjures up a sense of coming together, coalescence, if you like. In one sense that is true. All forms of distributed content can be created, stored or disseminated in a common digital format. However, in its most practical sense, it actually means the opposite.

Value chains and business models will fragment and fracture, and reform. Profit from transmitted content can be generated independently of the means of distribution. Advertising revenues may soon no longer support the creation and transmission of free-to-air content. Customer choice of distribution methods and of the services they can access may be driven by decisions over the devices that they wish to use.

III. Where is the Value for the Customer in the Converged World?

Of course the big question for many market participants, and certainly for BT, is: where is the value for the customer in the converged world? A world where voice calls are free; a world where you might be happy to pay £5 to watch the Bourne Ultimatum tonight over a curry, but would not be prepared to pay at all to watch it next Tuesday. We must really try to understand the implications of these consumption models as we strike out to establish the new policy framework that we need to work within.

IV. Changing the Frame of Reference

The separate models we have today for thinking about and regulating the individual sectors are destined to become – and in fact are fast becoming – historic artefacts. However, they are shaping our emerging world as we speak. Whilst we may be at half past six on the convergence clock, we do need to change our frame of reference very quickly. The principles that we apply now are likely to end us up in a mess if we do not.

One important example of this is in relation to the significant differences in regulatory approach. Some sectors rely purely on competitive law, others, like the one in which BT operates, favour more detailed ex ante regulation. Then again, self- and co-regulatory models come into play in many content-related areas.

V. Regulatory Approaches and an Examination of Differences

From BT's perspective, one of the most fruitful things to come out of the Think Tank would be an examination of those differences; an assessment of which rules and structures most distort or support competition and investment in a converged environment. As example questions:

- Do we believe that customers of network operators should pay the distribution costs of content owners?
- Do we believe that public service broadcasting or 'pay-TV' markets, in their current state, support sufficient competition and choice?
- Should we apply the cross-subsidisation model that exists in the mobile market between handsets and networks to other devices?
- What is the function of sector-based regulation in a world where those sectors are converging?

I should clarify that I am not proposing a homogenous or a 'one size fits all' approach to regulation. However, we must try to harmonise the regulatory approaches to better allow interplay between the various sectors. I do believe that, if we do this, new business models will emerge and, crucially, different sources of investment can be unlocked.

VI. Openreach

In the UK Fixed Telecoms market, BT has accepted that there are enduring bottlenecks. You will have heard of the creation of Openreach, I hope, and the principle of equivalents that applies to BT at a wholesale level. I possibly would say this, but there are some solid principles that sit at the heart of this approach and I think there is merit at looking at them and appointing those principles into a new converged regime, perhaps even as part of the new Communications Act.

VII. The Need for Collaboration

There is one other important element to convergence that is an essential prerequisite: the need for collaboration. At one level, this is about joined-up government and regulation, whether that be through common approaches or even organisational change. However, it is also about greater collaboration across industry. This is never more important than where there is significant investment involved as there will be, for instance, in Next Generation Access.

In this context, collaboration involves all the market participants recognising their role in deployment. Just as content and application providers need access to networks built by others, so must they be open to new commercial models that contribute to those costs. The Government and regulators have a role to play in encouraging that collaboration.

VIII. Conclusion

To conclude, we all agree that convergence is a force for good. It holds out the prospect of a simpler life for consumers, more efficient market players, better service and new investment models. But we must use this opportunity that the Think Tank has given us to get to the heart of these issues and ensure that the converged world delivers in the right way and to the benefit of UK consumers.

Panel Discussion

Chris Earnshaw

A number of us were at the recent seminar where speakers from Japan talked about their approach to convergence. One of the points that came out in that was a strong conviction, and a passion indeed, that you needed to get the infrastructure there in order to stimulate innovation. It was not a question, in their view, of simply waiting for the market need to emerge. Is that a view that you would subscribe so and, if so, whose responsibility is it to stimulate the creation of that infrastructure?

Emma Gilthorpe

I think it is a balance. I think the 'build it and they will come' philosophy is one that, as a business, is an incredibly risky one to subscribe to. The key is that we need to keep ahead of consumer demand. At the moment, the infrastructure that is in place is largely delivering on the capacity needs that exist out there today.

It is a big risk and therefore there is a need for certainty. Certainly the Government and the regulators can play a significant role in creating an environment of certainty where the people who make those investments – on a national, regional or local basis – can do so knowing the outcomes from a commercial point of view.

Convergence and Virgin Media

Neil Berkett

Chief Executive, Virgin Media

I. What is Convergence?

1. An Adoption of Protocol?

Ed spoke about pace in respect to convergence. Emma asked whether pace was driven by the consumer or by the supplier. Nobody has really spoken about what convergence is.

Many technocrats will talk about convergence being an adoption of protocol. What does that mean? It does not mean anything. It is perhaps an argument for some suppliers to ensure that everything is IP consistent for their own benefit, as opposed to the benefit of the consumer.

2. What does Convergence mean to the Consumer?

I believe you need to look at the opposite: what does it mean to the consumer? Actually, if everyone is, for example, using IP protocol, it does not mean a thing unless the consumer reaps the benefits of that. We ask:

- How does this manifest itself in a market today?
- Is it happening?
- What does the pace look like?

3. Unique Selling Points

In the last couple of years, we have undergone the most dramatic changes, in terms of the way in which the converged product is starting to occur. The concept of triple-play and quad-play are common place today. Three or four years ago, when the NTLs and Telewests of the world spoke about a unique selling point (USP) being a triple-play – that through a single pipe you could get telephone, television and broadband – that does not apply today. There is no such thing as a USP. There are some USPs around the way in which things are delivered, or the power involved, but that has changed.

4. Reborn Digital

Does it mean convergence through a single supplier, a single piece of technology or a single device? In a way, I do not think there is anyone here I would call being ‘born digital.’ Forgive me if I have underestimated and there is anyone out there under the age

of 23. That is commonly seen as the dividing point. If you were born digital, your view of convergence is fundamentally different from those of us who are trying to be reborn digital. That means that if we do not learn from the born digital people, we will be at half-past seven in 10 years.

II. Massive Increase in Data Consumption

From an infrastructure point of view, we are seeing a massive change in the way in which consumers consume data. We have seen an average increase per user of 50% per annum for the last three years, in terms of data consumption across our network. You add to that the number of new subscribers and new applications and you have a massive increase in terms of demand and therefore the need to provide the infrastructure.

III. Sunday as the New Business Day of the Week

The other phenomenon is that our new business day of the week is Sunday. A couple of Sundays ago, we saw 1.3 gigabytes [*sic*] of data being consumed. If you assume a single download on an MP3 iPod is about 4 gigabytes [*sic*], that is the equivalent of 313 million downloads during that Sunday. This is a phenomenal increase in demand on the infrastructure in what is deemed to be a free and open world. Is that the right model within convergence?

IV. Traffic Management

We are running some trials at the moment. As the customers – albeit self-selected – choose to go beyond downloading videos or gaming and they start to explore the world of education or additional service both here and abroad – because they can and because they do not have to wait – then they will start to download things that they perhaps would not have downloaded before.

There is a tipping point in terms of the way in which consumers will demand different supplies from the infrastructure. You have also seen it in respect to some trials in Nuenen in the Netherlands where similar phenomenon are occurring. If you look at the Japanese market or the Korean market, or to a lesser extent, the French market, where in a Fibre-to-the-Home (FTTH) world suppliers are thinking about they can insert traffic management.

In a 100 megabyte world, suppliers are saying, ‘I am going to have to manage the traffic that sits on my network.’ That phenomenon that you are seeing in the UK where consumers are talking about ‘nasty Subscriber Traffic Management (STM),’ in a world where some suppliers are struggling to deliver at half reasonable speeds, in a world where Fibre-to-the-Home is commonplace, that is already occurring. The average Japanese consumer is no different – albeit further along the process or the learning or the development – than the average consumer in the UK.

V. A New Converged Economic Model

History is full of failures where organisations have put supply well ahead of demand. For example, look at the start of the small hatchback: the Mini. It was a commercial disaster. It was not until other players followed, modified, brought in quality and brought in a lower cost to manufacture, that the small car became a global phenomenon.

We need to start to think about how we – as regulators, the Government, and industry – play our part in this ongoing converged world. To me, the central dilemma is that it is expensive. As a supplier, to ensure that this open world becomes more and more capital intensive. You do not roll out 50 megabits for tuppence ha’penny. You do not roll out potentially 100 megabits for thrupence. This requires a fundamental rethink of the way in which a converged world will start to drive converged economics and converged regulation. It is not about content, network and radio anymore. It is about a completely converged economic model. However, we are being asked to open this up for everybody.

VI. The Analogy of the Motorway

If my job was to build a motorway across the UK, would there be an expectation that I was responsible for the complete cost of that without charging my customers? Of course not so I would charge on exits. What about maintenance? What about delivering a fast lane for some people? What would happen if someone out there was prepared to pay me extra to go faster? People are doing that. We charge for our motorways sometimes. Why cannot I charge for my motorway? Why cannot I go to a content provider and pay more to go faster? What is wrong with that world? What is wrong with a world where you can explore, in a converged sense, a completely different economic model?

VII. Closing Remarks

I happen to think, in this analogy, that we have a bus lane. We should ensure that public service broadcasters have a vehicle and a common and equivalent access, and at times are allowed on the fast lane. There is a key role in a different model for PSB. However, I do not believe that the current economic model, as we increase the pace around convergence, will continue.

Panel Discussion

Chris Earnshaw

The last point was a strong plea that something radical has to change in the business model, and you are not the first to say it. The business model, in effect, for infrastructure is not scalable[?]. I wonder whether you see that as being something that the Government has to have a hand in or whether that ultimately simply comes down to collaboration among the industry. Why are we struggling over this point?

Neil Berkett

I believe it is a function of some entrenched players in the marketplace. Like any change of an economic model, it needs some disruptors. I do not believe that the Government or in fact the regulators need to regulate that change. To be honest, I am not sure how they would be able to. Perhaps some of the academics amongst us could deliver that. I would be intrigued to hear about that.

We will play a role. I was slightly provocative at the end, but it is a view that I could have. I believe we will play a role in exploring different economic models and trying different things. The beauty of the digital world is that it is interactive. I started an internal blog when I was reborn digital two or three months ago. I spoke about what being reborn digital means. It is not just about digital participation. It is not just about the technology. It is actually about behaviour. It is about wanting things and wanting things now. It is about being prepared to try things and act in a very different way. There is a complete read across the digital world in terms of the business models.

You will see Virgin Media trying different economic models around what we believe is a superior infrastructure, whether that occurs with on-demand applications in the living room through our television or across super-broadband.

Questions and Answers

Robin Foster

It seems to me that there are at least a couple of areas of possible tension, from the comments we have had from our guest speakers. In my mind, they are, firstly, with regard to the extent of which existing regulatory models are out of date. We need to move away from sector-specific regulation. Perhaps legislation does not need to change that much. There is also the flexibility for Ofcom to operate in a more converged way.

Secondly, another area of tension is the extent to which we need more flexible models for paying for access and use of model infrastructure versus the idea of free and open access and delivery. I may be characterising that unfairly, so I ask the different guest speakers to pick up on those points and any others they would like to mention before we open the discussion to the rest of the floor.

Ed Richards

I would like to clarify the converged regulation point. It is not that I think the legal framework is perfect or that it will never have to change because I think it will. I could list for you a series of situations or examples where the regulatory framework is technically inconsistent in relation to a converged world. For example, we issue licences under the Broadcasting Act on one day and the next day we issue licences under a Wireless Telegraphy Act. The very different approaches to licences could be used for exactly the same service, and may well be so.

There is a difference between ex post and ex ante. There are also different flavours of ex ante regulation. That is all true, but the reason we do not find it quite as constraining as it might imply is because our approach to all these problems is consistent. Our approach is a consistent competition analysis. We use the same tools; we use the same set of arguments to reach a conclusion. That means that we tend to have a general and consistent approach. It is not quite the straitjacket that it appears.

I would like to make a few points about the second question which Neil has provocatively put on the table. I am glad he has. I said something during my presentation that might have surprised people: we have to decide, from our perspective, at least whether we are in favour of convergence or not. You can say, 'Well how can you not be? It is happening.' I agree that it is happening, but there are real choices to be made about whether we really promote convergence from a regulatory and policy perspective or not.

My direct experience of doing this is that, despite the fact that every single company will say that this creates opportunities and that they are excited about it and ready for it, in reality, wherever there is someone with a powerful market position and a position of incumbency, there will also be a defensive strategy designed to slow market entry, slow innovation that cannibalises existing revenues, increase barriers to entry, and so on. That is the reality with which we, at Ofcom, must wrestle on a daily basis.

There are choices about the speed with which we embrace convergence. It is not something that is automatically going to flow through at a single, unified pace. There are real choices that we have to make.

There is another point that is related to that which I believe we have started to reach. There are many decisions to be made here – not only by the Government or the regulator – and people should not automatically look to Ofcom to make these decisions. People should not automatically look to the Government to make these decisions.

These are decisions about how businesses adapt in light of consumer demand. These are decisions about experimenting and innovating with new business models, with new forms of enterprise, and so on and so forth. I welcome a period of many trials and quite possibly some errors. That is how dynamic markets and dynamic capitalism works. We should see some of that. There should be different business models introduced. Some will succeed and some will fail. It is a great mistake to simply look to the Government and regulators for the solution for this.

Emma Gilthorpe

The point that you raised about businesses needing to adapt to meet consumer demand is a valuable one. There is much happening in the market at the moment. BT comes under pressure on a regular basis to do something about Next Generation Access. Sitting behind that there is much activity. There are many trials going on for Fibre to the Curb (FTTC), and Fibre to the Premise (FTTP). There is a new development in Ebbfleet

Valley, in the Thames Gateway where we are rolling out 100Mb from August. We have up to 24Mb being rolled out from the spring in certain areas.

There is much activity going on. The regulator has been very supportive, especially with things such as the Ebbsfleet Valley proposal, to make sure that we are not overly constrained by historic regulation, and to make sure that happens in a productive way. I would certainly not want people to think that BT is simply sitting here and waiting for the regulator to do something to help the market move along.

However, whilst I agree that the approach should be consistent, the fact that the regulations differ do actually constrain behaviour. They also impact on the business case for some of these things. To the extent that we can normalise and harmonise some of the rules, we can send out some very positive signals by doing that. The biggest issue still, as Neil said, is the incentive to invest. That needs to be there.

Neil Berkett

I would like to add two points to that. I think the regulator's intervention a few years ago, with BT, would be in terms of local loop unbundling and Openreach, and so on. It has created, in the broadband market in this country, an absolute free market. Incumbents actually have less than 25% market share of consumer broadband. We have approximately 25% market share of consumer broadband. There are other major players in that market.

We have other markets where that is not the case; where, in fact, incumbents find a vicious circle in terms of being able to control things. This means that normal market forces do not change the way in which that model is created.

There is another issue around other economic models in terms of sharing infrastructure. I spend some of my life running a little airline. It was 20 years ago that airlines decided or agreed that actually doing your own engine overhaul did not actually create the right economic model. In fact, you had no advantage in overhauling your own engine. That is why they shared.

I joined this sector two and a half years ago and I was astonished at how little sharing goes on. It was a case of 'mine's bigger than yours.' Therefore, I do not understand why grown up adults cannot get together and think about how they could change the economic model that I spoke about and do some infrastructure sharing. However, the regulator has a voice on that as well.

Recently we did a deal with BT Wholesale. I had a look at our Time Division Multiplexing (TDM) Network, our copper switches. Obviously there are going to be some centred over the next three to five years as we move into soft switches and IP Voice. Who else has that problem? It was not exactly a huge debate that was entered into. We approached a couple of players – in order to keep BT honest – and we did a

deal with BT Wholesale. They now manage, operate, maintain and retire all our copper switches. Why should we therefore not do that in other areas?

Sometimes we look across the top of regulation and convergence and see how it all blurs. It is often better to talk about some of the specifics that are happening in the market and use those. Otherwise, it could take a long time to get to midnight.

Robin Foster

I ask for a final thought from Mark Thompson, particularly with regards to the wonderful analogy of the BBC and the bus lane.

Mark Thompson

I rather like the bus lane! I am not sure that this can be characterised as a knock-down set-piece argument. The phrase an 'open and free' market was used. Open is an ideal, but it is not free. Let us be clear, whether it is paid for by the licence fee or by advertising or by subscription, the content is paid for by the public.

I am not suggesting for a second that there should not be encrypted subscription services and access to content, and so on. We are not talking about a world in which there are no tiered ranks of services. What would be disturbing, however, would be a world in which there was nothing more than a series of walled gardens in which significant groups of the population were excluded from socially valuable and publicly valuable content.

I do not say that as a gauntlet thrown down. It is a good example of one of the things that convergence can do. We need to figure out if there is a world of a win-win where it makes sense for all of the players to invest in the infrastructure which convergence needs, but in ways which work for some of the broader public purposes that are on the table as well.

Robin Foster

You do not agree that the BBC, through providing content – free at the point of use, such as new broadband systems – is in some way affecting the economic models which are available?

Mark Thompson

Anything that the public sector or the BBC does will bring public, social and creative impacts as well as market impacts. The point I tried to make in my opening remarks is that it is too quick to jump to the conclusion that any market impact that the BBC has in this world is likely to be negative. Particularly with the extremely thorough and open process of debate and scrutiny that goes into the provision and supervision of BBC services, it is reasonable to believe that it should be an objective of the BBC not just to deliver its public purposes but also to deliver solutions which have a net positive market impact. I believe that is credible.

Robin Foster

I would now like to open up for contributions from the rest of the room. Before I take any questions, we also have Diane Coyle from the BBC Trust here. Now that Mark has raised this question of market impact and net benefits for the BBC, it might be a suitable time for you to speak.

Diane Coyle

Two of the most important themes of the Trust have come up this morning. The Secretary of State began with the first theme: universality. This universality of access to all these opportunities is absolutely vital. We are passionate about audiences, and that includes all audiences in their varieties and capacities.

I am a competition economist by background and a sad character who is passionate about competition as well. We would like to ensure that our impact on the market is positive. One of the opportunities of convergence is to think about new ways in which the BBC can have that kind of impact.

Therefore, thank you very much for the bus lane, but I would like to move the conversation on to Neil or Emma or to other participants in the industry today to ask for their reactions to that; to start that process of conversation with us and, in our regulatory approvals process, to see how we can ensure that that happens.

Paul McLaughlin, National Union of Journalists

I would like to pick up on one of the points that was made. From a commercial perspective, with the investment in infrastructure and so on, there should be a reward or an incentive for companies to get involved in creating the new infrastructures. I also think there should be reward for those who produce, for example, public service broadcasting content so that there are benefits to both. They should both be rewarded.

I would like to ask a question with regards to convergence happening whether the Government or the regulators or any of us intervene or not. I am concerned that, for example, release of spectrum now – which could be used for public policy purposes – if it is released purely via a market mechanism it will prevent a sustainable model of public service broadcasting going forward.

In a way, we really need to bring this debate to a head now. I was unfortunately discouraged by the Secretary of State indicating that there may not be a need for primary legislation. I believe that there desperately needs to be primary legislation now. The question is: by selling spectrum now and by leaving decisions in terms of policy later, are we not in danger of shutting the door after the horse has bolted?

Robin Foster

One of the aims of this session is to get as many issues out on the table as possible for the Think Tank to consider going forward. Therefore, I do not claim that we will have an

answer to all of the questions that are raised. In fact, if you have comments or observations to make about the work of the Think Tank, that would be equally useful.

I will now take a couple more questions.

Professor Sonia Livingstone, London School of Economics

I am here representing the voice of the listener and viewer. I have been reading the delegate list and was wondering if you could offer some comment on the terms of the debate and the voices that are represented within it. I ask that partly because I have so far been hearing about the benefits to consumers and about benefits or issues for business. I wanted to ask about the other constituencies that are involved as we think about who convergence benefits and the pace of convergence.

You will know what I mean if I remind you of what Margaret Thatcher said when she said, 'There is no such thing as society.'

The pace of convergence will hugely affect education. Is the Department for Children, Schools and Families (DCSF) here? Andy Burnham asked about how we will involve young people and meet their interests. Is someone here speaking for young people? The DCSF again is a notable omission.

If we think about the Department of Communities and questions of cultural understanding, multiculturalism, and so forth, as we all move into different niche interests. Is somebody here representing that view?

Is someone thinking about our town centres as we all stay at home staring at a screen, and do not even go to Waterstone's or Blockbusters or the cinema as we once may have? Ed Richards asked about how convergence could promote the interests of participation. It could be summed up with the pointed question: participation in what?

Anna Fielder, National Consumer Council

That was a very interesting and stimulating panel discussion and I want to put some points on the table, amongst many. The first point that Ed Richards mentioned with regards to changing control and mobility I believe is subject to much debate. We are at about six-thirty rather than 12 at the moment.

As a practical example, I am a reborn digital. I went to do a contract with a well-known mobile phone company with one of these devices that would enable me to do all that. I was locked into an 18-month contract. The cost of data and data download does not really enable me to use it effectively when I am in Brussels, for example. We need to talk about competition, lock-in, contracts, and all that kind of thing to actually enable consumers to exercise power.

The second point I wanted to raise is with regard to Neil Berkett's presentation. I believe what you raised is called 'net neutrality'. I believe consumers pay you up to £80 per

month for your high-speed services and various other bundles. I think they want to exercise the power and the choice of having what service they want and not what service you want. You need to consider that when you talk about tiered services.

The third point I wanted to raise was that I did not hear any talk about global international issues. The EU is currently reviewing all its telecoms' packages, including a line consultation. Perhaps this issue needs to be considered. The UK is a small island and this is a global issue.

John Higgins, Intellect

I would like to return to Andy Burnham's opening comments where he talked about three principles. I want to argue that there possibly should be a fourth principle. This is also a late addition to the earlier Communications Act. Should there not be a principle that we are looking to encourage the development of a thriving industry? I do not just mean the technology industry, but everyone who plays in the convergence supply chain, from content creators to infrastructure owners. Should that not be a principle here that we are looking to deliver on?

Robin Foster

I suggest we join a couple of those points together: the globalisation and international issues and the thriving industry, whether it is the communications sector generally or the creative sector. Are there any thoughts from anyone on the panel of guest speakers on the importance of those issues and how they should perhaps be taken into account in our thinking about convergence?

Ed Richards

If I was to add to my four themes at the start, another would probably be globalisation. It is almost self-evident that there is a global international dimension to all of this, both by virtue of the inherent global nature of the internet and also if you think about the nature of companies and their interaction in that world. What you see is a global set of relationships, whether it is the BBC making a programme which they have to think about selling abroad; whether it be Neil putting together a supply chain which will deliver services to consumers while he is sourcing software Bangalore, boxes from Taiwan, and so on. We are an inherently global industry now and that is one of those things which is only going to go in one direction.

With regards to the question of a flourishing industry, you would have to think carefully about whether you wanted to actually make it an explicit duty of an organisation such as our own. The risk you run is that you confuse the purpose of decision-making. Again, it seems to me self-evident that you want a flourishing and competitive industry and you want companies that are making investments. Those investments do not always work, but by and large returns are being made on investments and therefore further investments are made and further developments and services are offered to consumers.

We always have a keen eye on where the industry is and a keen eye to make sure that regulation is with the grain of the market and is supporting a flourishing sector rather than trying to cripple it.

Mark Thompson

With regards to the earlier remark about Japan, I think it is well worth the Think Tank looking hard at those countries where effectively a national decision has been taken about infrastructure because there is a belief that convergence will lead to greater competitiveness.

We operate in most countries in the world. These issues have been debated and agonised over in every country we know. It is worth looking at those countries which have, in a sense, committed to a national effort to see if the evidence is in favour of that, and how they are integrating that with a market perspective, and so on. That is quite interesting.

The second obvious point to make about convergence on a global scale is that it has, potentially, amazing upside opportunities for British content and British creative talent around the world. We are seeing one of the side effects of this: the international commercial arm of the BBC and BBC Worldwide is seeing rapid growth at the moment. That is largely because the historic barriers to entry to British content – based on the structure of broadcasting in other countries – are being transformed into a much more open environment where high quality content can find willing consumers to consume it. A very positive side to this is the opportunity to the British creative industries on a global platform.

Robin Foster

I would like to see whether we can pick up the issues about consumer protection and net neutrality very quickly. Is there anything that Neil or Emma would like to say in response to those comments?

Neil Berkett

As a Virgin organisation, clearly we would see ourselves as champions for the consumer. I completely concur and agree that we have an obligation to ensure that everybody can get a jolly good deal. However, we also need to get real about where consumerism is heading. It is not a common market. It is not. Look at us sitting here: we all have different tastes, different lifestyles; our homes produce a different set of economics. Therefore, in virtually every consumer sector, you see segmentation.

Some of our customers will only ever want 10Mb, but some of our customers will want 100Mb and they will pay more for that, and therefore they should get more. I do not see the issue around net neutrality being all-embracing. I see the principles of net neutrality. The principles of neutrality are that it is a worldwide web. We must ensure that everyone has access to everything. However, there are nuances of that.

I was being deliberately provocative in my presentation. I do not have a defined outcome as to how you solve this, but it is at the core of how you address this supply/demand/converged world. I do not think that net neutrality to the 100th degree is sacrosanct. I honestly do not.

Robin Foster

I am sure we will return to this issue. First, Emma, would you like to add to that?

Emma Gilthorpe

Obviously any business ignores the consumer at their peril. It is fair to say, however, that we need to get the balance right. Frequently it is related to timing, particularly where new large investments are involved. In the short term, where you are making a big investment, especially when you are targeting certain parts of the market, things like pricing, quality of service, and so on, are not necessarily all there at the beginning. In the long term, they absolutely have to be there because if they are not then you will fail.

Robin Foster

We should finish with Sonia Livingstone's challenge to the Think Tank: to make sure we take a very broad view about the impact and implications of convergence.

Ed Richards

What I said in my presentation was that there will be much change for businesses and consumers. I also said that there were two or three areas where we had to ask questions about the significance of these changes from a citizenship perspective. In other words, we had to identify what the public interest was. I highlighted public service broadcasting.

In the course of our review this year, we will need to take a broad perspective on that, and not just about the existing model, of course, but broader than that. We will also have to consider citizenship access, which a number of people have mentioned. This is not just in terms of availability, but of capacity in the future.

There are a series of questions in that area. The Think Tank, and all of us in our different ways, will have to engage in this area. It is, of course, a broad debate, beyond simply DCMS and BERR within Whitehall. Many other constituencies, individuals and interests in the country more generally must be included. I am very supportive of that and I hope that there is a clear agenda to address those issues.

With regards to the spectrum issue, no one could accuse us of taking a decision out of the blue on spectrum. We consulted for about 14 months on the approach to the Digital Dividend Review. We reached a strategic decision at the end of last year. It was exhaustive in the way in which it considered and assessed public interest claims on the spectrum. In other ways, the range of organisations and entities who made an argument for allocating the spectrum for specific public purposes.

The problem was that every time you do that, it has a very significant opportunity cost because you cannot use it for something else. The other problem was that there were many, many different public interest cases made. It was not simply that the broadcasters wanted it, regional development agencies wanted it, council wanted it for rural and mobile broadband, theatres wanted to secure access for programme-making for special events and wireless microphones. There were a series of cases.

We took a decision of which everyone is aware so I will not go into that. We did actually accept one of those arguments: to secure inspection for programme-making and special events. We thought that was an overwhelming and compelling public interest case. The main broadcaster case that was made – which again had merit – was about high-definition (HD) television and the scope for high-definition television which will be a very important feature of the future landscape. We have said, on a number of occasions, that we believe it is important, will be a feature, and could become the standard means of delivering broadcasting in the future. I believe that is entirely possible.

However, working with the broadcasters, we have been able to identify a way of ensuring that HD will be universally available on Freeview in the future. Sky already offers it, as does cable. There is a path forward for the universal availability of HD television. I am delighted about that. I am also delighted that it sits alongside, on a market-based approach, with the release of the Digital Dividend Review.

Robin Foster

That brings us to the end of this first session. The idea of the whole morning is to get the ideas and challenges out onto the table. I can already feel the tables start to creak a little! We will now have a break and return with the second session and the second set of four guest speakers.

Introduction to the Second Session

Robin Foster

Associate Director of the Global Business Consortium at the London School of Business

I. Second Session

Thank you again to the guest speakers of the first session. We have four guest speakers with us:

- Mark Overton of Orange
- Nick Bertolotti of Credit Suisse

- Martin Cave from the Warwick Business School
- Graham Mather, President of the European Policy Forum

The format will be the same as the first session. Mark Overton will begin with his contribution.

Convergence and Orange

Marc Overton
Vice President of Strategy and Performance, Orange

I. Background

I am living proof that convergence works. I was formally at Wanadoo, which was converged into Orange in the middle of 2006. Prior to that, I was at '3' which continues to try to reinvent itself as more than just a mobile operator.

Much of the discussion has been on the plumbing, especially with the Fixed Networks. It is absolutely important. You cannot ignore all the high street offers for superfast broadband for £6 a month. In anyone's case, that is a good deal. However, I would caution that it is probably too good a deal.

II. Costs and Value

In terms of convergence, there will be costs resting in the core plumbing. We are behind the curve. Our parent company – France Télécom – is pushing the boundary as far as Fibre to the Home is concerned. They are enabling blocks upon blocks of Parisian housing estate. They have an aggressive competitor, called 'Free,' who is following that. In the UK, we are definitely behind the curve in terms of high-speed Next Generation data network.

However, we are way at the front in terms of giving away massive amounts of value to the UK consumer. There is a slight disconnect between the two. If we are serious about offering compelling, high bandwidth, high definition, interactive, seamless applications, the business model and some of the benefits that customers are getting at the moment is going to have to change. That is simply the law of economics. At the moment, people are getting too much while not getting very much at all. Customer service is not being invested in, nor is the network.

III. Customer Service

I sit in on calls at the Orange call centre. People call up and they want to know how to turn their computer on. It is not about getting a broadband connection to work because

some lunatic at Microsoft has stuck another operating system on their computer and they really do not know how to get the thing to work.

We are using a pseudo-helpline. That is not for free. That does not just happen. When you are paying £6 per month for superfast broadband, it is costing £16 per month to give that service to that customer. £12 of it goes to BT. In terms of the customer contact and billing, and so on, it is £4. No wonder we are offshoring and outsourcing. We have shell organisations that are owned by other companies in other countries, mine included. What is the customer getting for that £6? The first port of call is the provider because the service does not work and the customer care is not there.

Orange believes in providing a great customer experience. We have a unique base in the psyche of the UK consumer. We have challenged the boundaries of mobile and are now extending beyond mobile. Let us talk about applications. What are people doing now? They can have a single log-on. They can move seamlessly between a fixed network and a mobile network.

IV. Unique

There are a number of services. I will give a couple of examples. One is the 'Unique' phone, which we will be pushing later this year. It is a phone that gets better in home coverage. 30% of churn from a mobile network is because the customer cannot get proper phone reception at home. That is not Next Generation or convergence; that is basic voice calling. There is much we can do on that. It does not matter which network, you can increase the coverage in your home. It is not about having a mobile base station in your house; it is simply using Wi-Fi.

This gives people one bill, a bundle of minutes, one address book, and so on. It is straightforward and it is coming from a mobile phone. I believe that it is a failure for BT that it is not a mobile phone company. You can buy a mobile phone immediately and it will also work on Wi-Fi and will therefore give you the best coverage from home. This is an example of seamless basic services.

V. Photograph Service

Another example is that of our photo service. We have a photo service that has one million uploads every month. If you take a photograph on your camera phone, it is automatically uploaded to the orange.co.uk website. From there you can share with other people and there is no risk of losing your photographs should you lose your pictures. It is a straightforward application.

Those are the things that we, in the industry, create. What the consumers use it for is completely baffling and defies all the 'coneheads' who think about these things. A classic example of that is called 'Buff or Rough.' Buff or Rough is a user-generated content site. It has one million votes per week. It has grown up from people in a pub on

a Friday night, taking a picture of a girl or a boy who they think is either very ugly or very attractive. They then post the photograph onto the website and the person can be voted on. There is then a chart detailing who is the most buff and who is the most rough. We have established our own 'Buff or Rough' top 10. The person who won it received a modelling contract.

People get into that sort of thing. It is a strange sight to see rather drunk people standing in front of a full-length mirror in their underpants taking a photograph of themselves and then asking, 'Am I buff or am I rough?' However, that is what customers are actually using this stuff for.

VI. Business Benefits

Business-to-business is more converged than the consumer side. We are all here with our BlackBerries and getting our emails. It is seamless and always integrated and connected. That is at the heart of it. We do not spend much time talking about that.

The benefits of convergence are that one does not have to invest in two brands. That is straightforward. One can synergise the fixed and mobile networks and there are savings there. Multi-play can be adopted. By giving our high value customers broadband as well they are staying longer, and with an increased ARPU. It does cost money to do that, not surprisingly, but it is cheaper than giving them regular handsets and regular upgrades.

VII. Cooperation and Collaboration

At Orange, we are also looking at different ways of rolling out networks and managing networks. As many of you know, we have a deal with Vodafone, looking at site-sharing; operating and cooperating with our networks. As Neil Berkett said, do you want to do this on your own? There are physical issues in terms of the Next Generation network. We are only going to be looking at two or three people who can actually have this sort of network. Unless those who currently use local exchanges where you have more boxes than customers.

With the actual cabling and ducts in the ground it means that, like it or not, there will be consolidation. I believe there will be three players left in the Fixed market. Two of them were sitting in the guest speakers' panel earlier. However, they might not be called the same thing when the networks are rolled out! What is our reaction as an industry to that? Who will really invest in Next Generation? What does Next Generation actually give you?

VIII. The Example of France

In France at the moment we are seeing a high demand in the power[?] blocks which have been fibre-enabled for 40Mb. 40Mb gives you two HD screens in your house, online gaming, voiceover-IP, broadband, and all across a nuclear family. 40Mb is not

unrealistic. What we are also seeing in these houses is that it is an absolute asset to have your home fibre-enabled. It adds value to your house and there is no churn. Therefore, there are other benefits to Next Generation that we need to consider.

IX. Closing Remarks

People will pay for this sort of service eventually. As an industry, we are going to go through some pain before we come out of the other end. We need to start defining what the future looks like and investing where it makes sense.

A company such as Orange is network agnostic. We will work over any network. We provide a seamless customer experience because of the services we offer.

Panel Discussion

Tess Read

You talked about things in terms of the economics for mobile operators. How do you see the revenue streams for operators changing over the next few years? As you mentioned, the £6 per month is possibly too good. What about the deals on data downloads? Is that damaging the market for mobile?

Marc Overton

That is a very good point. We do not have the convergence on tariffs yet. In part, that is because they have been treated very separately. Last year we saw more simple browsing tariffs coming in. What is exciting is that the wireless ‘dongles’ that are now in the market that you stick into the back of your laptop are actually a substitution for fixed broadband. You can get one of those for about £15-20 per month.

It is coming down, in terms of the uploading and downloading of data. In terms of browsing, there is still a way to go. Over time, and going down to that seamless experience, I believe it will be fairly generous. Not as generous as fixed broadband – as that is just being silly – but fairly generous.

Robin Foster

We have heard a lot so far about the economic business models, or lack of, in the broadband service area. We will now move on to Nick Bertolotti, who will talk about media business models, amongst other things.

Convergence and the City

Nick Bertolotti

Managing Director of Investment Banking, Credit Suisse

I. Focus

I have been asked to talk about the City view on convergence. Unashamedly, when we look at convergence, we look at how we can make money from it. Therefore, we focus on the growth, the profitability, and the valuation of the incumbents involved.

II. The Impact of the Digital Age on Media Companies

1. Overview

We produced a report a year ago called 'You've Been Googled' which looked at the impact of the digital age on media companies, and, in particular, the emergence of the search engine, such as Google. We found there are three big negatives for the incumbent media companies:

- The digital age lowers the barriers to entry and destroys large incumbent margin positions.
- The digital age will disaggregate the aggregator or disintermediate the intermediary, of which many media companies [are a part?].
- The digital age accelerates the shift in consumption from offline to online. In Europe, and in the UK specifically, we do not have that many offline plays or exposure to that. The only real beneficiary for us will be content producers or content owners who will benefit from the increase in demand for content and the decrease in storage costs for content.

This was a big negative for us; for a sector characterised by high barriers to entry, business models based on content and aggregation, and limited online exposure.

2. Lower Barriers to Entry

Until a couple of years ago we had some great barriers to entry in the media sector. We had a scarcity of bandwidth, but now we have a proliferation of bandwidth with these new high bandwidth distribution technologies. We had physical distribution, but now you and I can produce our own videos using a webcam, with a CD in the background, put them on YouTube and we get an instantaneous global audience with zero cost of production and zero cost of distribution. It would probably be of zero quality as well, if I am involved, but the fact is that we can do it.

Even low-cost viral marketing campaigns on MySpace, Bebo, Facebook, and so on, can replace these expensive Hollywood campaigns and be just as effective. Even brands become less important in the digital world as people go to relevant sources, as directed by the search engine or by users' favourites' rankings, for example on YouTube. Therefore, the barriers to entry come down.

3. Disaggregation

The second big negative for us is disaggregation. Many companies in the UK media sector do not actually own content; they package it or they aggregate it. For example, BSkyB packages channels into a bouquet. ITV packages programmes into a channel. Elsevier articles may be packaged into a journal. The music companies may package songs into an album. The problem is that they do not actually own content, they aggregate it.

In the digital world and in the search engine world, we can move from this traditional mass broadcast push model towards a pull model where we can select the content we want and avoid the aggregator. The value-added and the amounts of profits they will make in the future will diminish.

4. Moving from Offline to Online

The third big negative is that eyeballs will move from offline to online. Our belief is that money follows eyeballs. We are seeing the biggest change ever in media consumption – probably since the advent of the television – where people nowadays, when given the choice, will choose the internet over the television, particularly the younger generation. There is research which shows that households with internet access watch four or five fewer hours of television than those without. If asked to choose between the internet or the television for the rest of your life, over 30-40% of the younger generation said the internet.

We have a rapid movement of eyeballs from offline to online. In the UK, we do not have many ways to play that growth or to play that exodus. Most of the big players are Google, Yahoo, MySpace, and other US players. Therefore, we have an exodus and we have to work out how to mitigate this.

III. Closing Remarks

Google has not really been mentioned today. There is a beautiful virtuous circle which Google enjoys: increased eyeballs means it can afford better, higher quality content which generates higher advertising dollars and greater investment which enhances their brand and scale which enables them to grow and grow and grow.

The real dilemma for the media companies is: do you supply your content to Google and feed this monster that will grow and grow and eventually eat you? Or do you stay apart

and hope that your brand is strong enough that you do not have any leakage of traffic to other businesses?

The recent news, that Microsoft may buy Yahoo, will accelerate some of these structures.

Within the media sector, and within the City, we are scared of convergence. Everyone will say we should embrace it, but to be honest, we would rather have their fat cushioning existence in a monopoly[?] world. We had that world and it is finished now.

Panel Discussion

John Willis

I am sorry to hear that you are scared of convergence. You touched upon the power of the big global companies and we talked a little before the coffee break about globalisation. Sitting where you do in the City, what do we need to do to ensure that, in terms of our media businesses – whether they are creative businesses or distribution businesses – we are competitive in this international converged world?

Nick Bertolotti

Whatever we do, we are behind the curve now in terms of the Googles, the Yahoos, and the Microsofts. In the UK, Google has an 80% share of the search market. Microsoft probably has about 10% and the rest is Yahoo. Therefore, we are behind the curve. The issue for us is how, as a media group, do we mitigate what has happened already? The answer is: we have to invest.

The problem from the City perspective is that investment dampens profitability, which hurts share prices. However, we have no choice. We have to invest. The average media company has only approximately 5-10% of its sales online or digital. We are behind the curve so we have to invest, embrace digital, make sure that our content is appropriate for the digital landscape, and we have to try to play a catch-up game with some of the US players.

It is not 'game over,' but we are starting from behind the curve. Just as the virtuous circle applies to Google, the vicious circle may apply to some of our media companies which are behind the scenes at the moment.

John Willis

Do you think that the City institutions would be prepared to invest? You described it as not being a very exciting investment as it dampens share prices. However, equally, everyone on the platform believe that the Government will pay or the consumers will pay or competitors will pay, and so on. Who actually is going to pay? Are there other sources of income in the City to pay for these changes?

Nick Bertolotti

Some of the companies are investing. For example, with Elsevier one of their businesses is Lexis-Nexis, which they started investing in in the late 1990's, early 2000's. Now 70% of Lexis-Nexis' sales are online or digital. Therefore, they have been through that digital pain barrier and have come out the other side. They have then seen usage and revenues grow rapidly.

I do not think it is up to the Government to subsidise it; it is up to companies to hit this problem head-on and try to conquer it.

Chris Earnshaw

I was actually going to ask whether you saw a role for public investment in content or in broadcasting in this rather difficult world we are looking at, according to your perspective.

Nick Bertolotti

I am sure if you asked any of the media companies that we analysed, they would love some public contribution towards their problems. To be honest, I do not think it is that straightforward. They probably need to refocus. Take the example of ITV: ITV has two elements to its business model. One is with regards to the content and production. The other is with regards to the aggregation model, the ITV1 model. What ITV has to do is build up the ITV1 brand so that, in five years' time, when my children come in from work, they will want to watch ITV1 programmes because they stand for family quality entertainment rather than go onto the internet and choose, on demand, Desperate Housewives or something like that.

The content and production side needs to be built up, while the aggregation side has to mean something so that consumers are willing to pay money for it.

Robin Foster

It will be interesting later on if we have some media company representatives to get their perspectives on those issues. I am surprised that the first two speakers have both described us as being 'behind the curve.' Martin Cave is going to talk next. Perhaps he has a perspective on that.

Convergence and Networks

Martin Cave
Warwick Business School

I. A Focus on Networks

1. Introduction

I have decided not to talk about cultural content as it the economies in there tend to make the audience grate their teeth. I will focus on networks. For me, convergence basically means ‘market widening,’ and networks which previously had been in separate markets because they were producing services which were quite distinct come together.

That obviously introduces the kind of possibilities that we were talking about, such as more entry points and multi-service platforms competing with one another. It also creates the dangers of bottlenecks, which then become bottlenecks over the whole range of services.

2. Bottlenecks

One potential bottleneck is with wholesale premium programming. The other one is the one which I am going to talk about. It is at the other end: the local loop.

The issue that we have been discussing here implicitly has been about highspeed broadband. It might be the same issue as with Next Generation Access, although there is obviously dispute about how cable networks and advanced cable standards are capable of matching the speeds that Fibre to the Home can achieve. I believe that those will actually be seen as being in the same market and so we will therefore have scope for competition between highspeed broadband networks.

3. Fibre to the Cabinet versus Fibre to the Home

My impression is that, as far as the telecommunication companies are concerned, the Fibre to the Node model – where fibre just goes to the cabinet [for the copper to retain for the final drop?] – is losing ground quite heavily compared with Fibre to the Home. That can be seen, for example, in the recent experience of Verizon which is using Fibre to the Home versus AT&T which is using Fibre to the Cabinet. Verizon was initially very heavily punished by the stock market for its investments, but I think they have probably turned out to be the wiser company.

4. The Demand on Networks

I am becoming increasingly convinced that we need these networks. There has been much emphasis on the enormous growth of video transmissions. I was at a conference yesterday where somebody said that in two years time 98% of internet traffic will be video. The demand on that that places upon networks, including access networks, is considerable. The fact that in the UK we have made very little progress to me is a matter of considerable concern.

5. A Lack of Competition

I believe this is due to a lack of competition. BT is pretty much in control of that particular bottleneck. If you are a monopolist, you have very little incentive to make step changes in your technology which require you to scrap your existing asset. It is much better just simply to milk what you have and make an investment where you really need to.

This proposition is supported by looking at the places where Next Generation networks are being built. We have heard that they are being built in Paris, in the Netherlands and in the United States. This is due to telecommunication competition. That seems to be what is lacking. It is the key thing. Recently, we have heard in the news about how Virgin Media is planning to increase its speed. This might provide the necessary galvanising condition.

6. Regulation

The second possible problem is the UK system of regulation, and possibly the European system of regulation. There seems to be a kind of staged dance between BT and Ofcom over what the terms and conditions of access regulation would be if BT were to build the network. That kind of regulatory uncertainty is obviously a problem.

In Australia, for example, if a company wants to build a network to which it expects access will be mandated, it offers an access undertaking to the regulator who then, in very short order, has to apply that whether it is successful or whether it should be amended. Unfortunately, our regime makes that kind of quick response difficult, and it does tend to extend the regulatory process.

7. BT's Openreach

Another issue that might be in play – and this is perhaps slightly heretical – is that the actual separation of BT might be causing problems. That would be the case for at least two reasons that I can think of. Firstly, Openreach is a relatively passive organisation. It is waiting for customer orders. Whereas what is necessary for Openreach to do, probably, is to be rather more proactive.

Secondly, there is a rather interesting and important condition of BT's undertakings to Ofcom. It basically says that Openreach cannot make an investment unless it can show that that investment is going to wash its face purely in terms of Openreach customer revenues. Financial externalities associated with the development of retail markets then have to be neglected.

I am sure accountants will be able to find ways of getting round that, but if you do not actually know, because of regulatory uncertainty, what your access revenues are going to be because the regulators are not telling you the price, then making that step would probably cause problems.

8. Competitive Areas and Non-Competitive Areas

I think, in broad terms, we should split the country into two areas: competitive areas and non-competitive areas. That is something that is increasingly being done in European regulation. In fact, the Commission is publishing a document about it today, I understand. We could then perhaps consider quite radical deregulation in competitive areas whilst maintaining current levels of regulation in non-competitive areas.

9. Stasis

I think there is a problem of stasis in this area in the UK. I used to work for the regulator in Jamaica. I would go out there and nothing would happen. I would go out there one month and then three months later again. Nothing had happened. There is a wonderful Jamaican expression, which I have forgotten, which was used to explain this. I was provided with a gloss on it: 'It is like mañana, but with less of a sense of urgency.' My concern is that we might have got into that position.

Panel Discussion

John Willis

Could you say some more about the idea of splitting the country into two? Is this about the level of competition that exists at the moment or is it about looking forward to the level of competition which might exist if investments are allowed to go ahead? I am not quite clear what you have in mind there precisely.

Martin Cave

Regulation ought to be prospective, but I think it is fair to say that the extension of the cable network ceased in about 1994. To some extent, there is a fairly stable distinction between cable areas and non-cable areas. It would therefore be possible – if you were doing a competition analysis – to look at the separate areas. You could then take the view about what form of regulation was appropriate to each.

That has already been done by some European regulators, including Ofcom. They have identified the separate geographical markets and crafted remedies to deal with the conditions that apply within these markets. For example, as I have suggested, you may be able to go for a more deregulatory solution in areas where there was a side-by-side relationship with BT Next Generation Access and one of these all-singing, all-dancing cable networks that we heard Neil Berkett talking about. One might be offering 50Mb and one might be offering 70Mb, but to all intents and purposes, from a consumer's point of view, they are very close substitutes.

The big question here is: is two enough? Almost every economist would say that no would not possible be enough. However, there may be certain circumstances in which it might be enough. For example, during a period where there is a kind of land-grab for new customers and you clearly have to have a lot of ex post – and potentially ex ante – remedies capable of dealing with collusive behaviour, for example, between the networks.

John Willis

Marc, you talked about two or possibly three network providers. Is two enough? How does Martin's proposition sound to you?

Marc Overton

It actually goes back to what Nick Berkett was saying about planning for the long term. In terms of a company such as Sky that has just announced record growth of its broadband basis, they have basically said that they will invest fundamentally £1 billion between now and 2010 to establish their credibility in this space. That does not mean that they are going to build a Next Generation network. It is another big chunk that they will have to expand beyond. It also does not mean that they will be able to deliver content, which is their core business, one would argue, on their network.

There is a land grab. Customers are keen so we are seeing aggressive price points, much investment and advertising, and lots of local marketing. I think there are constraints though about the physicality of getting cable to certain parts of the cabinet or into the home. My experts tell me that three is probably the number that will be arrived at.

Looking at those companies that are prepared to burn a lot of cash, and will need to to sustain their current business, will include BT – otherwise they do not have a business – and will include Virgin, who already have the components of that in place. Martin is absolutely right when he says that our needle is now focused on superfast broadband and 50Mb.

We forget that we already have a fibre network in the UK. It is much maligned and ignored, but that is probably because it did not get its act together. However, now it has, at least in terms of 50% coverage network that we need access to. It cannot just be under one person; they are not even wholesaling it. That is something that we should be

discussing. That might force a broader discussion about the speed of a full-scale rollout of fibre across the country to where it makes sense, which, in the short term, is the key metropolitan areas.

My money is on there being three companies: BT, Virgin and Sky, in some form.

Robin Foster

We now move to Graham Mather who is our final speaker. He is from the European Policy Forum and also from Ofcom's independent Consumer Panel.

Convergence and the European Policy Forum

Graham Mather

European Policy Forum and Ofcom Consumer Panel Member

I. Introduction

The first group of speakers began with a reference to the US elections: Clinton and Obama were both mentioned. In the interests of balance, I thought I should give a McCain/Romney story. It is converged because it involves them both. Some journalists went to see Senator McCain and said, 'Governor Romney has been badmouthing you, criticising your age, your policies and your bad temper. Do you have a response?' Senator McCain thought for a moment and said, 'My response is: never get engaged in a wrestling match with a pig because you both get muddy and the pig likes it.'

II. Research by Sparkler

1. Overview

This slide shows some research for the Ofcom Consumer Panel by the consultancy Sparkler, who interviewed 10 four-people groups across Great Britain. These consumers are early adopters in categories Sparkler identify from teenage boys, 'techie' blokes, retired browsers, and 'domestic tech goddesses'. The latter group are 25-40 year old women who use the internet for bargain hunting, shopping, and generally to make life easier.

The research looked at the attitudes of these consumers to converging technologies, based on the prices and services that they use now as it is difficult to forecast and predict unknown products. We believe it produces a wider insight into their attitudes, hopes and concerns, and we will publish the results shortly.

2. Consumer Needs

Communication technologies do not exist in a vacuum but in real people's lives. That makes a thorough understanding of real consumer needs important. The Secretary of State noted that we must not be just insiders speaking to insiders. That is the aim of this work by the panel.

We identified five universal needs. We also found that consumers lose interest quickly if services or devices are too difficult to install, or to learn, or are too time-consuming to use. Therefore, simplicity counts.

Before investing time, money or effort, consumers wanted to know whether a device would last for a meaningful period of time. They wanted some durability. The interviewees across these categories emphasised that they looked for ease of use, and ease of changing services or devices. There were some clear links that were shown from the research.

People want more than one portable device because, they told us, they want best in class performance. They said, 'My phone has an MP3 player, but it only holds about 20 songs. It is rubbish so I use my iPod instead.' It also sees the case that, at the moment, consumers want to keep their worlds separate. They do not want to take photos of a wedding with the device that they carry around all day.

They also, interestingly, wanted to break up technology at home, in the sense that they wanted to be able to use different devices at the same time, and not all queuing for the use of a single converged device. Another element which I think the Secretary of State mentioned in the terms that he said we need some 'national glue,' that also came through quite strongly: about doing the same thing at the same time, whether as a nation or as a family. There was a lot of concern about losing schedules altogether; concern, as Sparkler put it, about the loss of 'water cooler moments.'

It is never easy for governments, regulators, consumer bodies or even service providers themselves to get those needs right. However, the panel would like to emphasise the need to look very directly at these questions of how, where and when people will use what equipment, what they will use it for, and how they will feel about it. We are also very aware that people do cope with change differently.

3. The Ability to Choose

This work looked at early adopters, but the consumer panel is very aware of the needs of vulnerable and disabled consumers, and those who have opted out of the technological race. Usually, of course, this is not for purely financial reasons.

In an age of bundling and lock-in, the ability to choose is essential for competition, innovation and consumer satisfaction. I believe Anna Fielder made that point from the National Consumer Council.

The hassle of changing suppliers does seem to be, according to this research, still to be seen as a major barrier to switching. Perhaps what seemed solved to regulators is still deterring or procuring effective consumer choice until perceptions catch up with change.

III. Conclusion

In conclusion, the panel believes that placing those consumer needs at the core of our approach to technological development remains the surest way to achieve a technologically advanced and a satisfied society. We have been trying to develop means of doing that, but in a way, that mystical body out there of real consumers can be difficult to reach.

We have been trying to use techniques like this research, which we will also develop and extend. We are also using the toolkit which we designed, and which Ofcom has adopted: the Consumer Toolkit. This means that, in every regulatory or policy development now, Ofcom does systematically check that it has factored in consumer interest against the toolkit which we have designed, and which is then audited. The first three audits, by Pricewaterhouse Cooper, are just being completed now.

We believe that it is possible to entrench close awareness of consumer interests and to respond to them at every stage of policy and regulatory design.

Panel Discussion

Robin Foster

It is a timely reminder that we need to, throughout the Think Tank's work, focus on the consumer and the citizen, and their particular interests and requirements.

Tess Read

You spoke of the five universal needs which people seem to have. Do you think there are some needs in particular which are in danger of not being met as convergence gathers pace?

Graham Mather

They are obviously wide-ranging. As we run through them, most of them in the present market place are being covered. There are products which satisfy those needs at the present state of development. I would think rather more that, in the real world, the problems will be slightly more like those identified by Anna Fielder earlier. That is, you may find yourself seeking a wide range of these needs to be met, but the consequence is a hefty price per month. For example, a £60 billing package for a multiple offering, into which you are locked for 24 months.

If, for example, you buy that from an advertisement in *The Sun*, which says it starts at £5.99, through cash-backs and rebates, but if you do not meet very onerous conditions you are paying the full amount very quickly. In a way, you will end up being denied access or you will be paying over the odds. That seems to be a more likely consumer concern than a complete inability to meet needs.

Questions and Answers

Robin Foster

We have some time now to take any general points from the rest of the room. I would be particularly interested if anyone wants to comment on the challenge from Martin Cave on broadband regulation; Nick Bertolotti's views about the difficult times facing the UK media sector, or any of the other points which have been raised.

Graham McWilliam, Sky

From our perspective, we do not recognise the quite gloomy picture that Marc Overton and Nick Bertolotti were painting of the business perspective. Our broadband business has grown very fast. As Marc said, we are the fastest-growing provider in the UK. We have 1.2 million broadband customers from a standing start in just under 18 months. That is a profitable business or is on track to be a profitable business for us. In pretty short order, that will be significantly enhancing the overall profitability of the company.

We do not see a trade-off between satisfying the undoubtedly strong consumer demand and offering very attractive prices, and delivering value for shareholders. It is simply not the experience we are finding out there.

Following up on Nick's point, and quite categorically from Sky's perspective, we do not want any public money to support our investment in content. We do that because it is profitable for us and it is part of our business strategy. We deliver two services in particular that people would recognise as having a strong public interest and public value: Sky News and Sky Arts. Those are services that we do because we believe there is a viable commercial model for those. It may be things that an advertising-funded broadcaster would not find commercially attractive, but, with our subscription model, that works very well for us.

Our only concern there would be – particularly for Sky Arts which is a newly-launched service – that having established a successful business, some time in the future, the state, in one form or another, will decide that they want to get into that area and launch their own service to compete with us. That then makes it very difficult economically.

We are very happy with the market-led approach to that. The role of regulation and public intervention is to try to reduce barriers and create incentives for people to invest, and not create the disincentives of which there is a risk.

Nick Bertolotti

I think Sky has done an amazing job, in terms of broadband launch. 260,000 net ads in Q4 was reported yesterday. It is a great brand with a great multi-product strategy. However, there is a cost to that. The cost to Sky was buying Easynet for a couple of hundred million; investing five to six hundred million in terms of operating expenditure. The issue is: what is the return of investment on that? This is what the City is grappling with.

Also, would Sky rather have not heard the word 'digital.' Going back seven or eight years ago, before digital came along, you were generating 32% operating margins. The margin is now 21%. It had been a great business in a monopoly of paid television. Now you are in a competitive position in a triple-play market which may be tougher. Therefore, there is still an issue and the jury is still out.

Robin Foster

I would also like to ask whether BT have any views about Martin Cave's proposition on the twin-track approach to regulation.

Jeremy Beale, Confederation of British Industry (CBI)

I thought Martin's proposition – to divide the UK into those areas that are competitive and those that are not – is very important. It is the same point actually that we made in our submission to Ofcom with regards to Next Generation Access for very similar reasons.

I do not share the pessimism that a number of the speakers have indicated. There is a growing interest in the business community in convergence for business users. That actually drives the demand in many cases, and is a basis for much of the innovation that occurs. It has, in many cases in the past, been the thing that has driven convergence and innovation in the communications sector too.

It is important that the Think Tank focuses on some of those drivers from business demand because it has not really been mentioned here. It has not been an item that has come up previously. Also, that business demand is not necessarily of the traditional type; it is not just for the private lease lines; it is for public network provision across the UK because that is the way that businesses use networks these days if they are going to get the efficiencies they need.

To go back to the point about globalisation that was made in the first session, it is a driver behind all this. It is not a matter about whether Sky would have liked digitisation or not; it was that digitisation was occurring internationally and forcing Sky to react in the way it did. That is a general driver that needs to be taken into account.

Emma Gilthorpe

With regards to the concept of splitting the country into competitive and non-competitive areas with different levels of regulation, that could be workable. Whatever the approach taken for Next Generation Access investment, there will not be a single network provider nationwide. There will be a mix of technologies that are involved in that because the physics, as well as the economics, will dictate that to a large extent.

Splitting the country would work as long as, in both scenarios, there are incentives to invest. This is what I have to come back to every time. It is the thing which stops Next Generation Access.

Martin Cave made the comment that BT, particularly since the creation of Openreach and the separation, has no incentive to invest in Next Generation Access and that perhaps the separation has, in and of itself, slowed down investment. I can say that that is categorically not the case. The thing that is stopping or slowing investment is the fact that you cannot make money from it today. Even on a very long-term business plan you cannot make money. If BT cannot make money out of it, I doubt that anyone else can make money out of it, on a nationwide basis.

Therefore, we need to come up with some sort of patchwork approach so that, as and when the economics are right in certain areas, we can address those areas individually.

Martin Cave

The profitability of an investment depends on the market structure in which it is done. If you have a competitor breathing down your neck and you know that if you do not do something you will lose the business, then the returns for investment for that reason become much greater. If you know that all you are doing is abandoning revenues from your existing customers on the existing technology and buying something else, then the money stacks up in a completely different way. That, to me, is the explanation of why very substantial investments take place where there is competition and very few investments – and much more restrictive investments – take place where there is a monopoly.

You have to be case-specific. It may be that the ultimate problem is that BT does not face a powerful enough competitor. I am hoping that Neil Berkett will get the money to do whatever he said he was planning to, to get up to 50Mb. That would really put the cat among the pictures and get things going.

David Levy[?]

I have a question for Graham Mather. I thought your research in terms of consumer confusion was very telling. The question arises: what is one going to do about it?

There seems to be a sense that, for ordinary consumers entering these markets, operators do not make it easy to compare tariffs, to put it mildly, and I wonder where there is any

case for a simple reference tariff that would include voice, text and data, so that consumer can make informed choices rather than, as you say, often finding it impossible to sort out what is part of the three-month opening offer and where things go thereafter. It strikes me that one is only going to build confidence in converged services if consumers feel that there is transparency about pricing. At the moment, there is a great deal of confusion.

Graham Mather

There is a difficult theological and practical debate in this area. The market already provides some comparative services itself in this and other sectors. Ofcom and the Consumer Panel have debated, in general terms, slightly inconclusively, attempts to provide an information service of the sort you describe.

The issue will come to a head where there are plainly abusive systems or systems which are very open to misunderstanding of the type I have tried to touch on. I think there is current thinking about whether those can continue to operate or whether discussions with the industry hope to provide ways of limiting those sorts of offers if the misinformation ratio is too high, voluntarily or by other means. There are active discussions going on in this area.

Jackie Deverer[?], Community Media Association

I am worried about some of the assumptions here. I have heard it before in other industry-based events, although we are not just industry. When asked if they would have to choose between the internet and the television, 40% of young people said that they would choose the internet. That is possible if they are only 20 years old, or even 16. They have not had children yet. You cannot eat a slice of toast and baked beans with a baby on you with one hand. They will grow up. Within that, there is something about society and people wanting to watch television together. Do not make the assumption that just because they say that when they are 16 they will say the same when they are 30 years old. It is a dangerous assumption. The more individual we are, the more socially isolated we become. Helping people to avoid that is part of what this Think Tank is all about.

Secondly, with regards to the broadband theme and access, I live in Sheffield and in my daughter's secondary school, 50% of the children do not have a computer at home. Let us not make the assumption that internet access is universal or getting anywhere close to universal. There are poor people out there from all sorts of different communities. Yet I hear again and again that it is 'almost universal.' It is not.

As for splitting the country in two, it is already split in two. The swathe goes from Scotland, through Wales and the West Midlands – other than the major urban areas – through the South West and Northern Ireland where cheap broadband of any decent quality is very hard to come by. We gloss over these things at our peril. I am here for the citizen's consumer and for convergence to work for all of us and not just a few.

Robin Foster

I think one of your points ties in with something that the Secretary of State said at the opening of the session this morning. It was his concern about the polarisation of media consumption into international media concern about the middle. Your point is very well taken.

Because there has been such a range of issues raised, I am not going to attempt this morning try to pull them all together. It would also be wrong to do so because this is the very start of a long process and we have a number of more specifically-focused seminars coming up in the next few months. We will be able to take all of the important ideas then and scrutinise them more carefully and with more contributions from different interests and parties.

The next seminar will be on March 18th. It is about competition and innovation and is focusing on content and services. We hope that all of you will be interested in coming along. Please register your interest. There is pressure on numbers at the next venue. The Think Tank team will be sending out invitations over the next few days.

Thank you to everyone who has submitted evidence for today's session. Those are already on the website. The deadline for submissions for the second seminar is on February 29th. Do visit the website. We will be updating it regularly. There is already an interesting set of links, reports and publications on there at the moment. A transcript of today's event will be put up there as soon as we can.

Feedback on today's session is very welcome. This was the first outing for this format. We might want to try different things next time. We would be interested to hear your thoughts on the extent to which this has worked for you or not.

I would finally like to thank the guest speakers for contributing to the debate and for coming up with such big ideas.