

## **Comment from National Consumer Council Consumer issues related to convergence**

This the most important and over-arching hot issue and means the coming together of previously separate communication infrastructures and services (telephony copper wires, radio wave frequencies, mobile telephony, etc), and in particular the convergence to the open-ended (or of open architecture) internet protocol (IP). Practically it means that you can receive television, radio and telephone services, as well as download music and video, etc over the internet and stream them to the various bits and pieces of fixed or mobile equipment round your house (e.g watch tv from your sofa, download latest news to your i-pod to watch on the tube, stream music to your car hi-fi, free telephone and video-conference with family round the world, etc, etc). It can also mean that you can indulge in e-commerce, social networking or take advantage of government services from you PC, or mobile or PDA or laptop, etc. To do all this you would probably need new higher Internet speeds, new equipment and the technological know-how (see below).

There are already several visible effects of progress in convergence and relevant equipment is already on the market – for e.g. PC World is heavily promoting digital home PCs and smart TV-PCs, BT announced that it will launch an internet TV service, BBC is currently preparing for on demand over the internet flexible TV viewing, Channel 4 is launching is TV internet service as well. There is also a proliferation of voice over internet (VoIP) services, of which Skype is the best known; increasingly these can be used as normal telephones without being dependent on having your computer switched on.

As a result of convergence there is a strong trend in vertical integration of services, and providers increasingly offer ‘bundles’ of services under one contract – typically telephony (mobile or/and fixed) with broadband internet access, and tv packages – for e.g. Orange for mobile and internet; Carphone warehouse; Sky; Virgin Media (former ntl/telewest + Virgin mobile), O2 will launch similar service soon. These tend to be ‘lock-in’ contracts of a minimum of 12 months, but 18 months is more typical, and the prices are typically conditional upon keeping all the elements and service levels of the bundle.

### What does this mean for consumers?

All this brings both great opportunities – such as potential for better e-government services as well as on-demand and enhanced entertainment - but also important policy implications for consumers:

- Demand-side competition, due to vertical integration of services. The inter-dependency of different elements of the bundle may render switching much more complicated or difficult (for example if you want to switch to a different phone operator the TV package you want may become more expensive or no longer available); as we know from research that consumers switch in a very short space of time, this may have direct implications for future competition and for new single service entrants. Lengthy contract tie-ins for bundles (up to 18months) may also not be appropriate in a rapidly developing technological environment and have an effect on competition.
- Adapting existing public policy to network convergence. As services are converging towards the Internet Protocol, the Internet is becoming a lynchpin, but

there is a gap between its importance as a public infrastructure and its systems of governance/regulation. There is a convergence of networks and services, but not a convergence of regulatory bodies or existing regulation. Ofcom responsibilities, for e.g. are clearly related to separate networks – telecommunications and broadcasting including broadcasting content, but specifically not the Internet – so what are the implications for IPTV (TV over the internet protocol)? Or for mobile multi-media content? The issues are complex also because there is a balance to be struck between preserving the open participative architecture of the Internet and ensuring adequate consumer protection and security, privacy and safety.

- Complaints and redress. Putting things right for consumers may also become more complicated, as it will be increasingly difficult for them to know who is responsible at the end of the service chain.
- Digital divide, access and disadvantage. Convergence of services depends especially on access to broadband in the home and higher broadband speeds – this will re-inforce the already existing digital divide (47% of UK population does not currently have access to broadband).
- Security, data protection and privacy. These are particularly relevant as convergence is generally towards the open-ended Internet protocol, which is more vulnerable to hackers and virus attacks.
- There may well be also policy/regulatory implications in terms of user-generated content (increasingly the case).