

CONVERGENCE THINK TANK
Contribution to debate 7 Feb 08

Convergence can be viewed from the perspective of:

- platforms – which can increasingly deliver services common between them (e.g. voice, video, internet, TV, music all accessible from mobile).
- operators providing multiple platforms and services, as in quadruple play.
- content – different services bundled into one bill.

Convergence enables achievement of other objectives. Whether it enables greater welfare for citizens depends on the extent to which they wish to use converged services. There is nothing intrinsically “good” about convergence.

Government should not therefore set convergence as a policy goal. It should, however, seek to remove any barriers to convergence occurring if the market so wishes.

Hence there is no intrinsic merit in one nation being “more converged” than another. That said, the economic activity arising from convergence (including development of technology and new business models) may prove beneficial.

Government should, however, **ensure neutrality of regulatory treatment** as between different platforms. The UK’s single regulator, Ofcom, is well placed to do this.

But anomalies persist creating barriers to convergence. For example, fixed telephony users pay an access charge (line rental) and low usage charges. In contrast, mobile users receive an access subsidy (free handsets) and pay high usage charges. The regulatory system for mobile is inefficient in welfare terms, and is a barrier to fixed-mobile convergence.

In some cases, neutrality of treatment could be achieved by getting rid of regulation:

- Ofcom regulates content purchased on a mobile phone as “premium rate”. The same content purchased through an ISP is not regulated as premium.
- The complex price regulation of mobile call termination could be wound up, allowing more flexible retail tariffs as are found in the unregulated internet world. In particular, flat rate monthly charges, which consumers are used to for broadband access, could also apply to voice calls. Indeed, VOIP over mobile is an emerging means of circumventing this regulatory anomaly.

“Universal access to high quality content” as a policy goal is facilitated by platform convergence. For example, the same content can be accessed from alternative platforms (e.g. broadband via cable or satellite or fixed or mobile telephony).

The policy goal of universal access is separable from policy relating to content. Contrast:

- Access subsidy – as for fixed broadband access in North Wales, regardless of content.
- Content subsidy – as for the BBC, howsoever delivered

Public support for universal access suffers from the anomaly that:

- Fixed broadband access can be subsidised – North Wales, Highlands and Islands.
- Mobile broadband access is “taxed” through high licence fees for 3G spectrum.