

GOVERNMENT RESPONSE TO "THE MULTIMEDIA REVOLUTION" (HC520-1)

Introduction

The Government is grateful to the Select Committee for its work in examining the complex issues relating to the future regulation of broadcasting and telecommunications, both of which are subject to rapid advances in technology. Its report is a major contribution to the development of policy in these areas.

The Select Committee has rightly identified the far-reaching consequences of technological developments in the communications field and suggests a number of courses of action which aim to maximise the potential of that new technology for the good of the citizen. In 'Our Information Age' published in April, the Government set out its vision for seizing the opportunities afforded by new technology for increasing prosperity and improving quality of life.

The Government has been undertaking its own review of policy in the areas addressed by the Committee's Report. It considers it essential to conduct widespread and extensive consultations on many of the issues involved. The Government will be issuing its own consultation document 'Regulating Communications'.

Conclusions and recommendations

(i) Public policy must not be transfixed by technology, but it must be informed by it and might be transformed by it.

The Government agrees both that its public policy objectives for the communications industries should not be determined by technology and that technology may well transform the means by which those objectives are pursued.

(ii) The conversion of the television signal from analogue to digital is a necessary prerequisite for television's participation in the market opportunities created by convergence. Digital television will represent an important change in the nature of the British broadcasting market, ending forever the distinction between terrestrial television as necessarily free-to-air and satellite television as necessarily pay-TV. Although regulatory decisions will affect their prospects, the consumer will determine the success of the different systems and digital television as a whole. The overall success of digital television will not be determined solely by the issues of channel choice which have hitherto dominated the television market and are the main focus of much discussion about digital television's prospects. It could be determined by the capacity of different delivery systems, and broadcasters as a whole, to adapt to the implications of convergence and, in particular, to the transforming power of interactivity. We are deeply concerned that the implications are insufficiently grasped in this country, and that the potential to profit from them in terms of employment and trade is therefore being jeopardised.

Consumers are likely to be influenced in their choice of system by a number of factors. Those might include price, availability, ease of transition to digital services, the choice of services available on each platform, quality of products, reception and customer service.

Many broadcasting and telecommunications companies are investing in the development of applications which make full use of the interactive capabilities of digital technology. In particular, British Interactive Broadcasting (BIB) is developing a wide-ranging interactive package for digital television which will be among the most advanced in the World. Additionally, some 37% of UK businesses already have their own Internet sites, and about a third of those will accept orders over the Internet. Some 47% make regular use of the Internet.

The Government is committed to increasing the number of small and medium-sized businesses which make effective use of new technology to improve their competitiveness. It is also committed to promoting the use of information technology in the education sector, with the aim of ensuring that all schools, colleges, universities and libraries should be connected to the National Grid for Learning by 2002. We are also committed to seeing hospitals and Citizens' Advice Bureaux going on-line. 'Our

Information Age', published by the Government recently, sets out its vision of how new technologies can be used to improve our international competitiveness and the quality of life for citizens.

(iii) We were deeply impressed by the quality of oral evidence of Dr David Clark, Chancellor of the Duchy of Lancaster, on the electronic delivery of Government services and by the quality of the work he is doing that the evidence demonstrated. He has adopted, on behalf of the Government, a multi-faceted approach to the dissemination of information, developing information for touch screens and digital television as well as the Internet so as not to anticipate market determination of platform success.

(iv) Dr Clark held out the prospect of public services and accompanying information which were citizen-led rather than provider-led; many experiments were grounded in the realisation that "we do need to seek ways of empowering people". To this Committee, this meant the potential for a simpler, more efficient, more consumer-friendly provision of government services to the public, including a more cost-effective benefits system.

The Government is grateful that the Committee has acknowledged the value of the innovative work on electronic service delivery being undertaken by the Chancellor of the Duchy of Lancaster and his Department as part of the 'Better Government' initiative.

The Committee has also recognised the Government's commitment to a 'platform neutral' approach to the delivery of such services. In maintaining this approach, the Government will seek to use a wide variety of electronic service delivery mechanisms to underpin the 'Better Government' programme. It will use new technology to bring government closer to the people, making it more accountable, accessible, efficient and responsive. It also intends to make the most of the service improvements which can follow from looking at government processes horizontally and from promoting closer working between different parts of government.

The 'Better Government' programme is being reinforced by the Government's target that by 2002 one quarter of dealings with Government will be able to be done by members of the public electronically - through their television, telephone or computer. The Chancellor of the Duchy of Lancaster is monitoring progress by departments and agencies towards this target.

(v) This Committee is concerned that there is no commitment by the Government to ensure a computer on every child's desk in every secondary school within a specific timetable.

The Government fully recognises the importance both of improving current pupil/computer ratios and of updating the stock of multimedia equipment in schools. Action is moving forward on both fronts with ,100 million already having been made available in 1998-99 to support schools' use of information and communication technology. This will substantially improve the availability of computers to pupils. By investing in equipment, networking and infrastructure, the Government will progressively ensure that all pupils will have regular access to computers and information technology in schools.

Current educational opinion does not give high priority to the provision of a computer on every secondary school pupil's desk since pupils are not likely to use a computer at all times during the school day. Collaborative learning is an important part of the overall learning process. By sharing skills and ideas, groups of pupils learn to work as part of a team. Research shows this approach to work particularly well where ICT is in use.

(vi) We support the recommendation of the Film Policy Review Group for a separate Government/industry group to examine the training needs of broadcast production. It is of particular importance that the group involves representatives of the new as well as the well-established organisations in audio-visual communications and considers broadcasting not in isolation but as part of a wider communications sector affected by convergence.

The Government will take forward the recommendation of the Film Policy Review Group and is in the process of establishing a separate group, in conjunction with Skillset, to consider how best to meet the training needs of the broadcasting sector. In doing so it will have regard to the Committee's recommendations on the group's composition and terms of reference.

(vii) We believe that it is in the overwhelming interest of consumers that there should be a fully open set-top box available at an acceptable price. We deplore the failure of broadcasters and manufacturers to co-operate on producing such a box and regret that the Government has not

taken action to bring about such co-operation. We recommend that the Government presses these interests, by every means at its disposal, to work together even at this late stage.

The Government agrees that it would be in the best interests of consumers and broadcasters if set-top boxes for digital television were fully inter-operable. It also believes that broadcasters will realise that a battle between rival incompatible receivers will only confuse the public and damage the prospects for digital television. However, the scope for Government to take action on this matter is limited by the provisions of the EC Directive on Advanced Television Standards. This requires that all integrated digital televisions have open interface sockets but does not allow Governments to mandate a common interface for set-top boxes. Moreover, the Government considers it should be left to industry to determine the best commercial solution and it would be wrong to compel broadcasters and manufacturers of receiving equipment to adopt certain technological solutions.

Nevertheless, the ITC has issued a consultation document, to which the Government has responded, on transmission standards for digital television which should be a helpful contribution to industry consideration of inter-operability. The ITC has also promoted discussions between the main platform operators to enhance the prospects for inter-operability.

(viii) Competition policy will need to balance the dangers of oligopoly on the one hand with the prospect on the other that excessive concern over ownership and size in a domestic context might create a market so fragmented that the United Kingdom lacks organisations with the range of skills and investment capital to compete effectively in increasingly global markets. Dominant positions are often beneficial viewed in an international context; they are also often a legitimate reward for risk and innovation. The aim of regulation should be to reduce the possibilities for the abuse of a dominant position, not to reduce dominance. They will depend greatly on swift, coherent and effective regulation of infrastructure and gateways. This regulation will require sector-specific skills and focus.

The Government is committed to ensuring fair and effective competition in the broadcasting and telecommunications markets as they move into the digital age, particularly given that some aspects of the emerging technology, such as control of proprietary software solutions, may give rise to monopoly powers and abuse of market power.

The Competition Bill, currently before Parliament, will provide a more effective deterrent to anti-competitive behaviour and abuse of dominant position. These are based upon Articles 85 and 86 of the European Union Treaty. Under the Bill the abuse of a dominant position is prohibited, rather than the holding of a dominant position per se. Under the new competition regime, the Director-General of Fair Trading (DGFT) will apply and enforce the prohibitions. A newly created Competition Commission will hear appeals against a range of decisions taken by the Director in applying the prohibitions. The Competition Commission will also take over the existing functions of the Monopolies and Mergers Commission, which will be dissolved. Mergers will continue to be dealt with under the provisions of the Fair Trading Act 1973.

Where appropriate, the Office of Fair Trading seeks advice from the Office of Telecommunications (OFTEL) and the Independent Television Commission (ITC) on matters requiring their sector-specific expertise.

Broadcasting and telecommunications are and will remain subject to the operation of general competition law. The Director General of Telecommunications (DGTEL) will be able to exercise concurrently most of the functions of the DGFT in applying and enforcing the prohibitions in relation to the telecommunications sectors.

The ITC retains its responsibilities under the Broadcasting Acts to ensure that there is fair and effective competition in the provision of television programme services.

The European Commission also has jurisdiction on competition matters under Articles 85 and 86 of the European Union Treaty where there is an effect on trade between Member States.

The existing regulators are skilled in their consideration of competition matters and in considering the wider public interest. They will take full account of the need to ensure that businesses are able to compete effectively in international, as well as domestic markets.

In addition to ensuring fair and effective competition, the regulatory framework seeks to protect plurality of media sources. The current UK restrictions on media ownership, which are among the most liberal in the World, were introduced as recently as November 1996. They were designed to balance the needs and aspirations of an expanding broadcasting industry against the need to protect plurality in the sources of information and entertainment available to consumers, both at local and national level. The revised limits have allowed a number of media companies to expand considerably both in domestic and international markets, and to make investments in the development of new digital broadcasting services.

(ix) Competition law and regulation for the media and communications sectors are necessary, but not sufficient. There is still a role for specific media regulation. Economic regulation with economic goals does not provide for the two priorities which have been central to public policy and should remain so: cultural objectives regarding content and its provision; and social objectives in relation to the universal availability of certain services.

The Government agrees with the Committee that there is a continuing need for specific regulation in the mass media to secure cultural and social objectives. However, the Government is committed to ensuring that where specific regulation is required, it will be minimum necessary to meet its public policy objectives and be applied with a light touch.

(x) We note, with a certain degree of scepticism, that commercial terrestrial broadcasters remain optimistic about their prospects. Viewing of traditional commercial mainstream services and of the BBC is certain to fall as a proportion of television viewing. Although the fall is unlikely to be precipitate, it is eventually likely to be substantial. In any case, television viewing in the traditional sense is likely to fall as more and more households gain access to the Internet, which itself will become a new mode of entertainment.

Although there are inevitably uncertainties, the Government considers that there is sufficient evidence to justify the optimism of existing terrestrial broadcasters. In the USA, which has had multi-channel television for some time and has much more extensive Internet usage, the major terrestrial networks still command the largest audiences. Inevitably there will be a gradual erosion of audience share for the main terrestrial channels as more services compete for viewers' attentions. However, the pace of change in viewers' habits is unlikely to be such that it will threaten the commercial viability of existing services.

(xi) We agree with the view expressed by almost all those in the sector that investment in production is essential. Nevertheless, despite their investment in new media, we were concerned at a prevailing and somewhat complacent view that the impact of the Internet on broadcasting will be gradual, perhaps even marginal. There are already clear indications from the USA and this country that the Internet is having an impact on the size of the television audience, particularly amongst young people. This is at a time when the Internet is only just beginning to tap its vast potential as an audio-visual and advertising medium. The Internet is global by its very nature and its growth will expose the whole of British broadcasting to competition. Broadcasters may find it an increasing problem to sell their programmes abroad as global access becomes commonplace.

The Government notes the Committee's view of the likely future impact of the Internet. Its growth will undoubtedly have far-reaching consequences, though as yet they are difficult to predict. Though that growth is spectacular, it is from a low base. The International Benchmarking Study 1998, 'Moving into the Information Age', states that 4.4% of UK households were on-line in 1997, and projects an increase to 14.6% by 2000. It is impossible to say at this stage when, if ever, the Internet will begin to have a significant impact on broadcasting in the UK. The average number of television viewing hours in the UK has fallen during the last decade (from about 27 hours per person per week to about 25 hours now). Television competes with a variety of leisure activities and as people are more inclined to take holidays, eat out, visit the cinema etc, it is to be expected that television viewing will reduce overall.

While the Internet may, over time, impact on the international programme market, the Government does not necessarily see a significant threat to the ability of programme-makers to sell their products abroad. Rights-holders are unlikely to let their products be distributed via the Internet unless the distributor purchases world-wide distribution rights. The cost of purchasing a such a licence is likely to be prohibitive unless the distributor is able to extract income from Internet users world-wide. Film, video and television already have established patterns of distribution in different territories and unless the Internet provides the potential for extracting greater revenue, those distribution methods are likely to remain the most popular. Even if technology permits it, television programmes are unlikely to migrate to

the Internet unless it is established that it would provide greater revenue potential to rights-holders. As yet this is uncertain.

The Committee is right to draw attention to the possible consequences of growing use of the Internet, and its impact on other sectors of the media will have to be closely monitored.

(xii) Other technological developments might make it increasingly possible to order television programmes on an individual basis, potentially reducing the brand identity of channels by which those channels understandably set such store. British broadcasting is of a quality admired throughout the world: that quality ought to be maintained and enhanced for the new and more diverse market; British broadcasters, especially the terrestrial commercial broadcasters, have not yet done enough to realise their potential in the global market-place.

The Government agrees that adherence to particular channels is likely to diminish as technology proliferates distribution possibilities and consumer options. However, brand identity is likely to become increasingly important in a multi-channel environment with greater competition for viewers: even where material is distributed on-demand, it is likely that consumers will be attracted to a particular distributor whom they trust to provide a quality product.

The Government agrees that British television is widely admired for its quality and it is one of the Government's central objectives to ensure that quality is maintained. While the UK is the second-largest exporter of television programmes, it lags well behind the performance of the USA. There are a number of factors which may affect the export performance of UK programme-makers, including the general preferences of domestic audiences for home-produced material over imported programmes, the strong competitive advantage enjoyed by US distributors and the difficulties of securing a sufficient price in overseas markets to meet the cost of paying royalties to the talents involved in programme-making. The Government is committed to supporting the international competitiveness of UK programme-makers in any way it can. Specifically, the DTI provides subvention to assist programme distributors to sell UK productions through international trade fairs as part of its support for exports.

(xiii) The question is whether attempts at international regulation of the Internet can be anything more than optimistically indicative rather than genuinely effective.

The Government pursues four principles for Internet regulation:

- existing law should apply on-line as it does off-line, with the result that liability is determined by each individual's own conscious acts and omissions;
- the global nature of the Internet means that international co-operation is vital;
- businesses and consumers should have access to tools which enable them to protect themselves;
- and Service Providers should take voluntary action to uphold the law on-line, for which the first principle ensures there are real incentives.

A number of strategies are being pursued at national and international level to promote safe electronic commerce and to prevent the dissemination of obscene and offensive material and to protect copyright. The UK is pursuing these matters with its partners in the European Union and in other international fora. In time it is likely that best practices will emerge providing a model for international agreement on regulating the Internet effectively. The Government supports the development of standards for rating Internet content, coupled with tools which would allow users to filter unsuitable material.

(xiv) We recommend that the Government pursues a strategy for the Internet on the basic principles of: (i) active and accelerated promotion of the Internet as a vital engine of social and economic development; (ii) promotion of self-regulation within a framework of existing general legal provisions; (iii) absence of licensing or restrictions on freedom of individual access as producer or consumer; (iv) support for an agreed global framework for the Internet.

The Government agrees with the general approach recommended by the Committee. Its strategy for ensuring that everyone can benefit is set out in 'Our Information Age'. It is committed to building people's confidence in using new technologies and ensuring that the on-line environment is as safe and secure as the more familiar off-line world. The Government-led 'IT for All' programme exists to raise awareness, provide access and develop skills in the use of information technology among adults. Its 'Information Society Initiative' (ISI) Programme for Business assists smaller companies to seize the

opportunities of the Information Age to improve their competitiveness. It is also committed to ensuring wider Internet access for schools and to the development of the National Grid for Learning.

The Government has promoted self-regulation according to the principles set out above, an example of which is the Internet Watch Foundation (IWF). The Government is encouraged by its work to date. It will undertake a review of its effectiveness later this year. That review will assess the number of complaints made to the IWF and how effectively they have been dealt with. Additionally, it will consider the structure of the IWF and its future priorities, including the possibility of broadening its focus to include matters such as copyright.

Currently Internet Service Providers operate under a class licence, issued by the DTI and enforced by OFTEL, which does not seek to regulate content. There are no plans to extend licensing or to restrict the freedom of individual access as producer or consumer. The Government is working with the European Union on an Action Plan on the Safe Use of the Internet and on ideas for a 'Global Communications Charter'.

(xv) Notwithstanding the justifiably different approach to the Internet and a growing emphasis on control within the home, the case for retaining content regulation on broadcasting remains, so long as this continues to be feasible. Technology will not have any immediate impact on popular expectations about the maintenance of certain standards in broadcasting, particularly in order to protect children. Within a basic framework of standards and decency, we would expect content regulation to fall into four main tiers:

- **transaction or non-scheduled services, subject to requirements for rating and compliance with filtering standards, but otherwise subject to limited content regulation;**
- **scheduled non-terrestrial services provided as part of subscription television subject to minimal positive programming requirements;**
- **scheduled free-to-air services of a predominantly commercial nature subject to broad programming requirements;**
- **scheduled, free-to-air services of a predominantly public service nature subject to detailed programming requirements.**

This tiering system is necessarily simplified, perhaps over-simplified. The development of many free-to-air services on all digital platforms will increasingly blur the distinction of terrestrial and non-terrestrial services which underpins much of the current regulatory approach. This makes it all the more important for content regulation to be based on clearly enunciated principles, for distinctions between levels of regulation to be transparent and for the precise level of content requirements to be adaptable.

(xvi) The capacity for comprehensive negative regulation will slip away, but the desirability of positive regulation will still remain.

The Government agrees there is a need for content controls for broadcasting and supports the general principle of a tiered approach based on clearly enunciated principles, although at this stage the Government reserves its view on how tiering should be achieved, to allow further consultation. The Government also agrees that content controls will need to be adaptable, to respond to changes in the market and the availability of different services. Current content regulation allows the ITC and the Radio Authority to respond to developments through amendments to their programme codes, which are updated regularly to reflect new developments and changes in public attitudes as in turn reflected in the codes of the Broadcasting Standards Commission.

In determining the appropriate level of content control it is important to take account of how a service is accessed, rather than the means by which it is transmitted. Free-to-air services which require no interaction will require a higher degree of control than subscription services or services which are accessed on individual demand. The Government's consultation document on the future regulation of broadcasting and telecommunications will canvass ideas as to how content controls should be applied.

Content controls for broadcasting fall into broad categories: negative content controls, which determine that broadcasters must not show certain types of programme, or must show them only at specified times; and positive content controls, which require broadcasters to show certain types of programme as part of their schedules, to contribute to diversity. Currently positive content requirements apply only to the five terrestrial free-to-air services, and not to any subscription services. In a multi-channel environment it may be that the market will provide some of the programming which is currently subject

to positive regulation. The Government therefore intends to consult on how far positive content controls should continue to apply on commercial services. It expects that there will always be a need for some level of negative content control.

(xvii) We consider that the issue of analogue switch-off should be taken forward not in isolation but in the wider context of the future of universal access.

The Government agrees that analogue switch-off must be determined in relation to universal access to services. It would not want to switch-off the analogue spectrum until such time as digital receiving equipment is as universally available as analogue equipment is now but will be seeking to provide a framework which promotes the rapid and extensive take-up of digital equipment by viewers. Its public consultation exercise on 'Television: The Digital Future' relating to analogue switch-off continues.

(xviii) We welcome the Government's commitment to encouraging the rapid development of broadband networks, but believe that this should be bolstered by a clear target. Accordingly we recommend that, without commitment to any one delivery system, the Government establish as a strategic objective for the first decade of the new millennium the development of a universal broadband infrastructure (including an adequate return path capacity) available to every home in the United Kingdom. We expect there to be several important staging posts in the pursuit of this objective, including,

- **the delivery of the Internet to all schools, libraries, hospitals and GP's surgeries by 2002;**
- **the evolution of a policy for the availability of the Internet in every home, perhaps initially on the basis of a flat rate charge for a narrowband service for a limited period of time each week;**
- **the development of a secure card for the citizen's transactions with Government;**
- **and measures to ensure the widest possible availability of the necessary receiving equipment.**

Achievement of this objective should be a priority not only for the Government, but for communications infrastructure regulators. Its achievement should make possible analogue switch-off, with its consequent economic benefits, and we recommend that the same date should be set for both meeting the strategic objective and analogue switch-off. We envisage this date being no later than 2010. This date should be announced before the end of 1998, as delay in the announcement causes uncertainty.

The Government's policy document 'Our Information Age' sets out its vision for enabling people to take advantage of the new information technology. It is a central objective to ensure that the many must benefit, not just the few. A society including a large proportion of information 'have-nots' would not just be unfair, it would also be inefficient. The Government will continue to pursue policies designed to promote investment and competition in both the provision of infrastructure and services throughout the country as the main means of achieving this objective. The value of the 'superhighway' lies in the range, quality and utility of the services it carries. With clear incentives to invest and with the promotion of strong competition in supply, we will bring the benefits of the information age to our citizens.

'Our Information Age' sets a number of ambitious targets for taking forward the Government's strategy. By the end of this year the Government is committed to doubling the number of schools which are connected to the Internet and launching the National Grid for Learning. The number of 'IT for All' sites will be doubled to 4,000. By 2000 the whole country will have access to NHS Direct, a new telephone advice line staffed by trained nurses, and the University for Industry will be launched. By 2001 the Government intends to double the number of small and medium-sized companies which make effective use of new technology to improve their competitiveness. By 2002 25% of all Government services should be available electronically, and all schools, libraries, colleges and universities should be linked to the National Grid for Learning. Additionally, all teachers should have had the chance to update their information technology skills. We are also committed to seeing hospitals and Citizens' Advice Bureaux going on-line. Those ambitions will, in themselves, lead to a widespread expansion in broadband networks and encourage take-up of computing and the Internet.

The Government announced its proposals for secure electronic commerce on 27 April. Those proposals, which will allow for the development of a secure system of electronic signatures, are consistent with OECD guidelines on cryptography and with the EC Directive on Digital Signatures which was adopted in

May. The security of digital signatures should give citizens the confidence to safely transact business with Government via electronic systems such as the Internet.

Once digital broadcasting has commenced and there has been an opportunity to gauge the operation of the market for digital services, the Government will be in a much better position to make a commitment to switching-off the analogue spectrum. The Government will also take account of the responses to its consultation exercise on 'Television: The Digital Future' in formulating policy. It will announce a firm date as soon as it is satisfied that it is realistic to do so.

(xix) We recommend that a separate Department of Communications be established with its own Secretary of State, assuming the broadcasting and media responsibilities of the Department for Culture, Media and Sport, the telecommunications and Internet responsibilities of the Department of Trade and Industry, and the Cabinet Office's responsibilities for electronic delivery of Government services. The new Department's priorities should include:

- **the definition of universal access in the digital era and leadership of provision of broadband provision and its use for public services;**
- **the active promotion and encouragement of British strength and leadership in broadcasting, communications and other media, including the Internet;**
- **establishment of the new regulatory structure in the communications sector which we recommend below;**
- **co-ordination of all Government activities in these areas, spread as they are across most Departments, by means of an inter-departmental Committee under the chairmanship of the Secretary of State for Communications.**

This Government has already taken a co-ordinating approach where issues involve a variety of interests. The Prime Minister has taken a strong personal interest in the Government's strategy 'Our Information Age', which links all Departmental interests. As stated in its evidence to the Committee, the Government does not consider that the convergence of the communications industries has yet reached the point where a single Departmental location for sponsorship and regulation of the communications industries is required. The information age raises issues right across Government and would continue to do so under any Departmental alignment so Cabinet Office involvement will continue to be essential. Meanwhile, the distinctive importance of this field for the cultural and creative industries on the one hand and for the UK's overall industrial competitiveness on the other makes it important for the DCMS and DTI respectively to be closely involved in formulating Government policy on communications.

(xx) We recommend that legislation to provide for regulatory change be a priority for the Queen's Speech at the opening of the Parliamentary session in the autumn of this year.

The Government does not believe that the pace of convergence is such that early legislation is necessary. The Broadcasting Act 1996 established a regulatory framework for digital broadcasting. Digital broadcasting has yet to commence and it is unclear how consumers will respond to the development of new and interactive services. There is sufficient flexibility within the current system of regulation to cope with developments over the next few years and the Government is actively encouraging co-ordination within the existing framework. Introducing new legislation so soon after the 1996 Act, and at a time when a number of companies are making significant investments in developing new services, might cause uncertainty and threaten the basis on which those investments are founded. The Government considers that a period of regulatory stability will therefore benefit the industry until the direction of communications markets is clearer. However, the Government is committed to extensive consultation on the future regulation of broadcasting and telecommunications to clarify what policy goals will be appropriate and how best they can be achieved and whether we need to proceed more quickly in some areas. The Government will be issuing a consultation document 'Regulating Communications'.

(xxi) We recommend the absorption of all current regulatory bodies into one Communications Regulation Commission with overall responsibility for statutory regulation of broadcasting, telecommunications and the communications infrastructure. We recommend that its duties include:

- **regulation of access to communications platforms by both systems operators and new service providers, including issues relating to gateways, competition law, and cross-media ownership;**
- **the compilation of information and the duty to report to Government on policy issues;**

- all regulatory actions in support of broadband provision; strong encouragement of the development of self-regulation by Internet service providers; and oversight,
- for all broadcasters, including the BBC, of broadcast content regulation and the commercial activities of broadcasters, with direct oversight of their implementation.

There shall be a Chairman of the Commission who is a member of the Commission and not a statutory regulator. There shall be two Deputy Chairmen responsible respectively for the delivery and content. The Chairmen and Deputy Chairmen shall be appointed by the Secretary of State subject to consultation with the appropriate departmental Select Committee and a public hearing of that Select Committee. All appointments would be subject to the 'Nolan procedures'. There should be the power, as exists at present for the ITC and the Radio Authority, to fine broadcasters.

(xxii) In order to ensure that all classes of broadcasters and narrowcasters are adequately administered--and we take cognisance of the evidence that radio was neglected when it was a division with the former Independent Broadcasting Authority--we believe a sub-commission structure should be created to ensure proper fulfilment of the Commission's several functions. Each sub-commission shall have the power to publish its own reports and recommendations subject to approval of the Commission which shall not unreasonably be withheld. We further recommend that one or more members of the Communications Regulation Commission should have a duty to represent the interests of consumers, supported by appropriate research capacity within the staff of the Commission.

The Government is grateful for the Committee's views on the structure of a future regulator. Its consultation document, 'Regulating Communications' will canvass views on different regulatory models, including the possibility of separate regulators for infrastructure and content and a single integrated structure]. In determining the structure and role of any regulatory body, including the representation of consumer interests, the Government will also take account of the results of the Review of Utilities Regulation.

Regulation will need to be effective whatever regulatory structure is decided upon. There will need to be effective powers and sanctions available to deal adequately with questions of competition and consumer protection. General competition law is applied in a manner set out in the Government's response to (viii) above. In particular, the Director General of Telecommunications (DGTEL) will be able to exercise concurrently most of the functions of the DGFT in applying and enforcing the prohibitions in relation to the telecommunications sectors. Appointments to any regulatory body, as to the existing regulatory bodies, will be made by Ministers in accordance with current procedures, which take account of recommendations of the 'Nolan Committee'.

In deciding the regulatory structure, the Government will take careful account of the need to ensure that largely distinct sectors such as radio are not neglected. It will also ensure that the views and interests of consumers are properly represented.

(xxii) We expect that the relevant authorities of the House of Commons will wish to consider the extent to which developments in communications technology can be made available on a demonstration or operational basis for Members of Parliament. Prospects for discussion between Parliamentarians from different countries on issues relating to convergence should also be explored. This is a matter for the House authorities to consider.

July 1998