

THE CONSEQUENCES OF TECHNOLOGICAL CHANGE:

THE BROADBAND DIGITAL MIGRATION AND EVERYTHING OVER IP (EOIP)

Panel: Robert Pepper, Chief of Policy Development, Federal Communications Commission (USA)
George Colman, Managing Director Media Research, Citigroup Global Markets
Alex Lambeek, General Manager, Nokia Mobile Phones Australia
Kim Williams, Chief Executive, Foxtel

Convenor: Ian Robertson, ABA Member

Key note speaker Robert Pepper outlined the blurring of industry structures resulting from digital migration and convergence. This blurring leads to 'the regulatory conundrum' as silos give way to convergence. In the old world the conduit told you something about the content. In the digital broadband world, multiple single platforms can carry the same services – voice, video, data and audio. Assumptions underlying old rules such as scarcity, barriers to entry and clear boundaries disappear.

For consumers, personalisation is a key theme as in the shift from household to personal phones, and to person-to-person communication via the Internet. In television the progression is from limited choice and control, to choice and control via interactive television/PVRs (personal video recorders) to 'cus-



George Colman



Alex Lambeek



Kim Williams

tomised personalised intelligent television'. The EoIP world puts legacy financial models (e.g. advertising/subscription mix) under pressure, and requires major investment to compete. Incumbents face questions such as how to adjust to the new competitive world and when to cannibalise existing services. 'Consumer confusion' is a possibility due to the dilemma of choice, the need for technical proficiency, and generational differences. The need for information to become 'informed consumers' becomes increasingly important.

Another feature is 'political anxiety,' as politicians worry about winners and losers, impacts on constituents and who to believe given 'there are two

stories for everything'. Questions facing policy makers include: What if anything gets regulated? Who regulates? How are social goals and consumer protections best achieved? Pepper ended with some advice: step back from the noise – take the long view; do not assume a problem (notwithstanding dire predictions from some); separate economic and social regulation; let market solutions develop; and try to minimise uncertainty in a disruptive world.

Questions to Pepper related mainly to digital transition in the US. While analog switch-off is planned for 2006, this will only occur if 85 per cent of households have digital access. Congress is looking at ways of accelerating the transition. New 'high end' television sets must now have digital tuners, and ultimately, set top box subsidies for those slow to convert may be an option. Pepper emphasised the need for perspective on digital transition – colour television took 22 years to get to 85 per cent penetration and VCRs, 15 years – predicting digital television may be somewhere between the two.

George Colman, Alex Lambeek and Kim Williams gave their perspectives on strategic issues facing business. For Lambeek, the non-voice side of mobile telephony is about to take off – 'the business model is starting to make sense'. Video content via mobile phones will have to be packaged differently – it will be 'snacks rather than the whole meal'. Williams sees the main big themes being consumer choice and interactivity, with Foxtel planning to introduce a PVR which will allow on-screen voting and messaging as well as recording. Williams sees positive prospects for digital pay TV, citing good audience response to Sportsactive and 'Newsactive', and reduced churn. He drew somewhat philosophically on Gerald Ford to respond to 'digi-sceptics': 'If the public don't want to come, you just can't stop them'.



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