

Competition in the converging industries: will the Australian model deliver?

John Burke, Director, CIRCIT, reports on the results of his organisation's Policy Forum held on 12-14 June 1996

The Centre for International Research on Communications and Information Technologies (CIRCIT) recently drew together leading players in the information and communications services (ICS) industries to examine key policy and strategic issues. Thirty senior government, industry and consumer representatives participated, including CLC Director Jock Given and Robert Pepper, the Head of the US FCC Office of Plans and Policy. Senator John Tierney represented the Minister for Communications.

The participants quickly focussed on the delivery of services to users and reached a strong level of agreement on the utilisation of market mechanisms, including self regulation, to achieve national objectives for ICS. However, certain factors, such as the immature nature of competition in the core telecommunications industry, changing market structures and user needs, and the rate of change and unpredictability in technology and service developments led to consideration of non-market mechanisms to supplement market-driven outcomes.

The Forum identified a range of key issues to be considered by policy makers, industry and consumer groups. Whilst recognising the diversity of views presented, the following proposals represent the primary outcomes of the Forum.

New industry framework

There is a need for a new and distinctive ICS policy and industry framework.

This framework would cater for the emergence of the converging market place of traditional telecommunications and content based services such as the Internet and video on demand. This market place can be regarded as an interlinked and continuous value chain consisting of content providers, information service providers, distribution networks of carriers and resellers, user interfaces and users. The telecommunications sector is largely in the distribution component of this chain. What is important for the sector to realise is that it is only one element - albeit a key one - in the chain.

The concept of 'global any to any connectivity' becomes crucial in the converged marketplace. In traditional telecommunications the concept of 'any to any connectivity' means that carriers have been obliged to connect calls from any person to any other person connected to the world telecommunications network. In the new era, this concept needs to be extended to include the obligation of carriers to connect end users to any legitimate information source connected to the same world-wide network, be they people, computers, Internet servers, electronic publish-

ers or video servers. An underlying issue is that of end-user access, which can be defined as 'control of two way access to user or information source'.

Carrier definitions

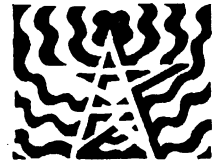
This view leads to the re-examination of the term 'carrier'. Moving from a definition based primarily on ownership of public network facilities, it may be better to define carriers as those organisations that:

- provide end-user access, and seek to provide global any-to-any connectivity;
- have obligations, such as access/interconnect duties, industry development and quality of service requirements; the financial support of regulatory bodies and USO obligations; and
- have privileges, such as land access rights for their networks, and interconnection rights to other carriers.

Bottlenecks

Bottlenecks across the value chain from content providers to users must be removed to ensure the development of a competitive connectivity environment.

Key amongst these are bottlenecks in information service provider access to distribution channels, within distribution (interconnect), and at the user interface. At the same time, in-



centives to invest in infrastructure and service development must be maintained.

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This value chain will change over time and bottlenecks will occur at different points. Hence, arbitrary separation of markets and restricted participation in these are not favoured. The preferable approach is to assess any reviews with regard to the principles of any to any connectivity and 'sufficient returns to providers' (associated with unbundling and interoperability requirements). The current bottleneck between information service providers and carriers may be resolved by way of carrier licence conditions and a structured framework for the negotiation of pricing of access and other issues.

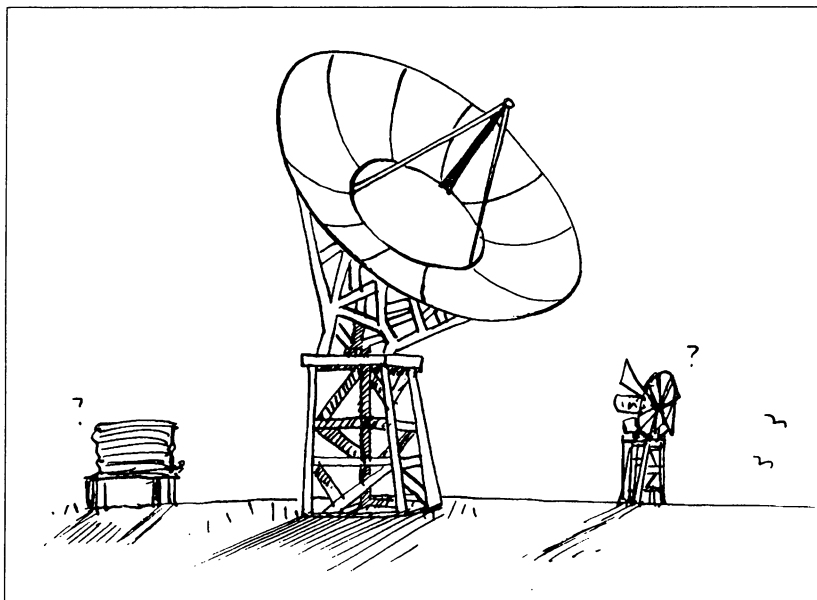
Industry and government must address demand-side approaches to development.

Development initiatives

A number of initiatives are required, including:

- focussing on ICS as an enabler in key information intensive industries (such as financial, retail, government, health and education services) and their global market

- opportunities;
- encouraging Australia to create an adaptive environment for the rapid innovation and uptake of ICS. A joint government-industry 'Applications Development Foundation' would provide a mechanism for innovation and uptake of ICS across government, industry and the broader society. The Foundation could drive a range of demand-side market stimulation approaches to achieving broad social objectives such as widespread access to a range of readily available services, including Internet access;
- developing a best educated and informed citizenry to harness the



- opportunities enabled by ICS.
- encouraging government at both federal and State levels to become leading edge innovators and users of ICS through the leadership of their Information Technology Units; and
- revising the definition of the 'standard telecommunications service' to encompass both a universal service concept and potential delivery means, including carrier obligations and tendering. This revision should consider transparent delivery of 'multiple service levels', including the provision of

certain advanced services to community access points. At the same time, a body such as an Applications Development Foundation should support market-side approaches to extending use of ICS.

Spreading the word

CIRCIT and Forum participants are promoting further examination of the Forum outcomes, through vehicles such as the new Information Policy Advisory Council and the Standard Telephone Service Review Group. Within its research program CIRCIT will give particular attention to clarification and development of the concepts of global any to any connectivity, information intensive industries and activities, the proposal for an Applications Development Foundation and approaches to multiple service levels.

By adopting these measures and by playing an active role in the international ICS forums, Australia can become an exemplar in developing a social policy model for the management of such ICS issues as self expression, censorship and

classification, privacy, security, intellectual property and universal service.

The Forum was jointly facilitated by Charlie Firestone, Director of the Aspen Institute's Communications and Society Program and CIRCIT Director John Burke. A summary report of the Forum is now available from CIRCIT, or can be downloaded through the CIRCIT Home Page (<http://teloz.latrobe.edu.au/circit/>). A more detailed Forum Report and the Background Readings will be available from CIRCIT shortly. □