

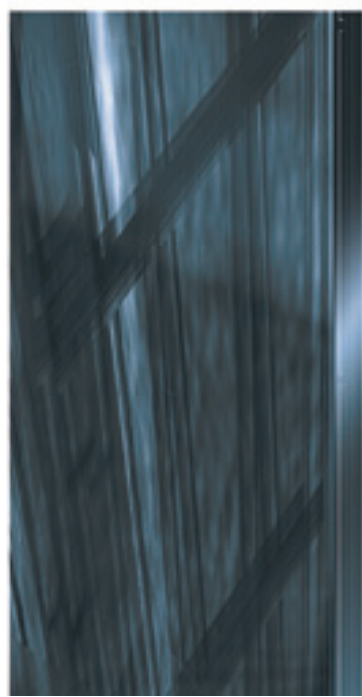


Australian Government

Department of Broadband,
Communications and the Digital Economy

Convergence Review

Background paper



Comments and inquiries

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#converg: Those that have a Twitter account are invited to join the conversation using the #converg hashtag to share information and updates related to convergence.

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Message from the Minister



In the 1990s, when Australia's key pieces of communications legislation—the *Broadcasting Services Act 1992* and the *Telecommunications Act 1997*—were enacted, few could foresee the massive changes ahead in the way people use and interact with the media.

The legislation still in place today was formed at a time when viewers watched analog broadcast television in their lounge rooms

at the end of the day, and used the internet primarily for emails and looking for text-based information via nascent search engines. Since that time, Australians have moved from placing most of our phone calls from fixed landline telephones to making an increasing number of calls on mobiles. Today, you can use your phone to surf the internet while at the gym, or watch a program that was on TV last night on your smartphone while you are on the bus.

This phenomenon is known as convergence, and its impact is being felt right across society. All over the world, as audiences increasingly take control of their media and communications use, traditional business models are being forced to adapt quickly to the new realities of the digital era.

The rollout of the National Broadband Network and the switch to digital-only television will ensure that Australia is well-placed to take advantage of these technological innovations.

The NBN will transform the delivery of content in Australia, allowing viewers to access virtually limitless content from all over the world. Already IPTV is taking off in Australia; the ABC's iView service allows you to download programs directly to your TV screen; Foxtel and IPTV companies such as Fetch provide on-demand services, allowing viewers to pick and choose from a vast library of content titles—like having your own DVD store online. When the NBN is completed, the download speeds available on the fibre network will make watching any content on-demand service over the internet indistinguishable to the viewer from watching broadcast TV.

As Australia forges ahead to embrace the digital economy, however, we need to consider whether our regulatory system is equipped to keep pace. The legislative and regulatory settings governing our media and communications industries are designed to foster competition, to encourage diversity of opinion, to protect original Australian voices and to guard consumer and citizens' rights. It is timely for us to contemplate whether these settings will continue to achieve these outcomes amidst the structural changes that are occurring in technology and industry.

The implications for Australian content and culture are enormous. When audiences can watch, listen to or read content from anywhere at any time, then the role of the media in forming and nurturing our national identity will have to adapt. The need for shared experience will remain, but it is incumbent on us to get the settings right to ensure Australian stories are there to be shared.

There is a broad consensus on the need for a comprehensive review of Australia's media and communications regulations. The government stated its intention to look further at the impacts of convergence in both the NBN: Regulatory Reform for 21st Century Broadband discussion paper (April 2009) and Australia's Digital Economy: Future Directions Report (July 2009). Now, as we move ahead to take full advantage of the digital economy, is the appropriate time to do this.

Media and communications industries affect the lives of every Australian, and the Convergence Review will have important outcomes for our society. The regulations under examination affect the news you consume, the TV you watch, the radio you listen to and the content you enjoy online.

I ask all interested Australians to contribute ideas, comments or suggestions to assist the review—it is crucial that all voices are heard in this important conversation about our future as a nation.



Stephen Conroy

Minister for Broadband, Communications and the Digital Economy

Background Paper

The purpose of this paper is to provide context and background to the government's Convergence Review, which is examining Australia's communications legislation in light of emerging technology and industry trends. This paper is not intended as an exhaustive account of all the issues. Rather, it is designed to equip readers with an introduction to these issues and for use as an aid when considering the discussion papers and providing a submission to the Review Committee.

Specifically, this short paper provides an explanation of what convergence means, an outline of the key drivers, the trends and issues arising from it and how these developments are reflected in the Terms of Reference.

What is convergence and why do we need a review?

Convergence, in its usual sense, means coming together. In the world of communications technology, it is the major communications platforms (broadcasting, telecommunications and online) that are coming together so that their once separate functions now overlap. Video content, for example, that used to be available only on television can be viewed easily over the internet.

A person can now watch exactly the same TV program on a TV set, laptop, or mobile phone. However, the underlying networks that are used to transmit the program are very different—broadcast spectrum or cable networks, the internet or mobile networks.

Australia's key communications legislative framework was introduced in the 1990s: the Broadcasting Services Act and the Radiocommunications Act were enacted in 1992; the Telecommunications Act was enacted in 1997. Each piece of legislation has been tailored to achieve different public policy objectives.

Our broadcasting legislation was designed to provide flexible regulation to promote objectives such as the availability throughout Australia of a diverse range of broadcasting services that entertain, educate and inform—a broadcasting industry that is efficient, competitive, and responsive to audience needs; and diversity in control of the more influential media services.

Specifically, the Explanatory Memorandum for the *Broadcasting Services Act 1992* explained the rationale as follows:

it is widely accepted that television is a powerful medium with the potential to influence public opinion, and that television has a role to play in promoting Australia's cultural identity¹.

Our telecommunications legislation, on the other hand, emphasises the long-term interests of end users of telecommunication services and the efficiency and international competitiveness of the Australian telecommunications industry. And the Radiocommunications Act is designed to promote the efficient allocation and use of spectrum to maximise public benefit.

¹ Broadcasting Services Bill 1992, Explanatory Memorandum, p. 67.

When the current regulations were being designed, there was little understanding of a future where anyone could easily download a movie to the home TV, view TV programs on a mobile phone, make a telephone call via an internet service, upload personal videos for all to see, or watch content online whenever they like. In just 20 years, Australia has moved from analog phones to smartphones, from dial-up to broadband, and from five analog free-to-air broadcast television channels to 15 or more digital channels, TV and radio content delivered via internet, online video and a subscription broadcast industry offering a vast range of television and radio channels from a variety of providers.

These changes have implications for Australia's communications regulations, because the obligations imposed by the current framework often differ depending on the type of platform the content or service is delivered on. It is therefore timely to consider whether these differences continue to be relevant and how we can continue to achieve public policy objectives.



Key drivers towards convergence

The growth of the digital economy², underpinned by rapid improvements in network technologies, internet connection speeds (bandwidth), and devices is a key driver towards convergence. Technological innovations are giving consumers more choice and flexibility in how they communicate with each other and entertain themselves.

New ways Australians can engage with media include ABC iView, Ninemsn FIXPLAY and Yahoo!7 Plus 7. There are also services such as Fetch TV, Telstra T-Box or TiVO, which guarantee a certain quality of service and therefore have certain broadband requirements, meaning such services are generally not free

² The Australia's Digital Economy: Future Directions paper defines the digital economy as 'the global network of economic and social activities that are enabled by platforms such as the internet, mobile and sensor networks.'

(www.dbcde.gov.au/digital_economy/future_directions_of_the_digital_economy/australias_digital_economy_future_directions).



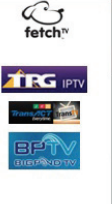

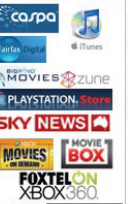
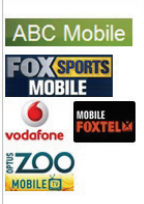



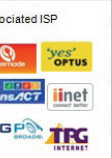

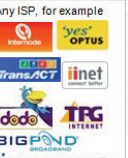





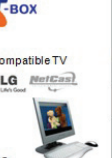
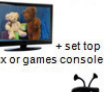


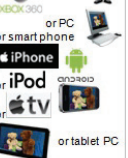
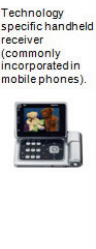
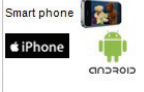
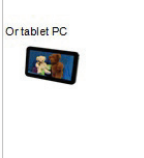
of cost to the user. These so-called IPTV (internet protocol television) broadcasters are offering more content, new features and integration with the internet and existing TV services.

The conflation of platforms and devices is changing how Australians communicate and engage with media. It is also challenging traditional business models. Convergence allows new players to enter the market and allows existing players to offer new services over new platforms. This challenges the existing market distinctions that underlie current regulation (for example, telecommunications services versus broadcasting services) and the current ways in which regulation seeks to achieve policy objectives.

The trend of convergence is also occurring in a global context. The digitisation of content and distribution platforms makes the world increasingly flat³. There are now alternatives to shipping a movie across the seas or to physically attending the cinema to watch it. Today, you can download a movie to watch from the comfort of your living room or stay up-to-date with your favourite television series even while you are travelling, thanks to an iTunes subscription or a catch-up TV service. The tyranny of distance is largely conquered by the easy transmission of information and media content afforded by digital technologies.

³ Thomas Friedman, *The World is Flat: A Brief History of the Twenty-first Century* (2005) Farrar, Straus & Giroux.

The establishment of the National Broadband Network (NBN) will enhance this trend towards convergence we can already see emerging. The NBN will offer 100 megabits per second to up to 93 per cent of Australian homes, schools and business via fibre optic cabling. The remaining 7 per cent of premises will be connected via a combination of next-generation high-speed wireless and satellite technologies with broadband speeds of 12 megabits per second or more. This will allow Australians to more quickly access content delivered via the internet. As the recent Access Economics report Business Expectations for the National Broadband Network (December 2010) indicated, the time to download a 110 minute movie on the NBN (100 megabits per second) will take a mere 7 minutes and 25 seconds, compared with the 315 minutes via an ADSL connection (512 kilobits per second) or 32 minutes via cable (8 megabits per second).

2010		Free-to-air broadcasters	Subscription		Internet		Mobile	
			Broadcasters	IPTV	Catch-up TV	Video-on-demand	Broadcasting	3G Phone
Supply / value chain	Content Services						For example: DVB-H, DMB, MediaFLO Trials have been conducted, but no services currently available.	
	Distribution	Regional affiliated broadcasters, for example  Subscription broadcasters 		Associated ISP 	Any ISP, for example 	Any ISP, for example 	Trials run by a broadcasting transmission provider in conjunction with telcoms company and technology suppliers.	
	Devices	 (or digital TV alone – except subscription)	 + set top box 	 + set top box 	 + set top box or games console 	 + set top box or games console 	Technology specific handheld receiver (commonly incorporated in mobile phones). 	Smart phone  Or tablet PC 

In addition to upgrading our fixed communications infrastructure, by 2013 all of Australia's television signals will have switched to digital-only. For viewers, the switch to digital television offers improved picture and sound quality and greater program choice with access to new digital channels. Through the digital switchover program, viewers in regional and remote areas of Australia will, for the first time, have access to the same number of free-to-air TV channels as is available in the capital cities.

Switching off analog TV signals and the transition to digital-only, free-to-air television broadcasting will produce a 'digital dividend' of 126 megahertz of radiofrequency spectrum currently designated for broadcasting services. This can be used to provide other communications services such as wireless broadband, and possibly support future technological innovations.

The NBN and the release of the digital dividend will promote consumer choice, deliver economic and social benefits, and ensure Australia is well-placed to benefit from the global digital economy. They will also accelerate the impact of convergence on the Australian communications market.

Effects of convergence on consumers and citizens

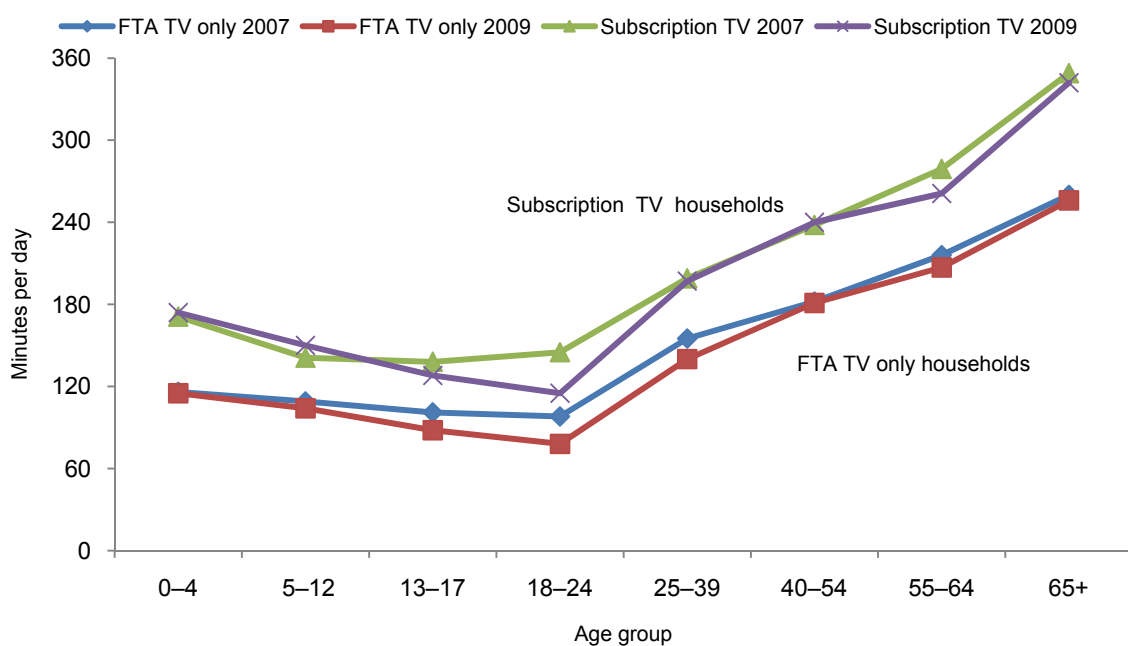
Australians are increasingly turning to the internet for their media and entertainment services. Overall trends show decreases in television viewing time, increases in online participation and increases in mobility. For example, recent data show that Australians spent less time watching both free-to-air TV

and pay TV in 2009 than they did in 2007⁴. New digital channels are showing the attractiveness of diversified product offerings, which may stall or reverse this trend. As a recent report noted, one of the benefits of digital television multichannels is that it allows commercial broadcasters to provide channels that target specific audiences⁵.

4 Australian Media and Communications Authority, Communications Report 2009–10, pp 53–54 (www.acma.gov.au/WEB/STANDARD/pc=PC_100897).

5 Department of Broadband, Communications and the Digital Economy, Content and access: The future of program standards and captioning requirements on digital television multichannels (December 2009) (www.dbcde.gov.au/_data/assets/pdf_file/0018/123561/Multichanneling_Discussion_Paper.pdf).

Figure 1 Average time spent viewing television in FTA only and STV households, 2007 and 2009



Source: OzTAM Pty Ltd as reported in the ACMA Communications Report 2009–10

And of those Australians watching television, the way we are watching television is also changing. Personal video recorders allow us to watch what we want, when we want rather than in accordance with a broadcast schedule. Time shifting has implications for the structure of Australian programming

obligations, which are based on transmissions between 6 am and midnight⁶.

This was recognised by OzTam, which now releases time-shifted viewing statistics.

However, the present trend in Australians' online engagement is upwards.

Australians are connecting to the internet in growing numbers, and the amount of time we are spending online is increasing, as is our data consumption.

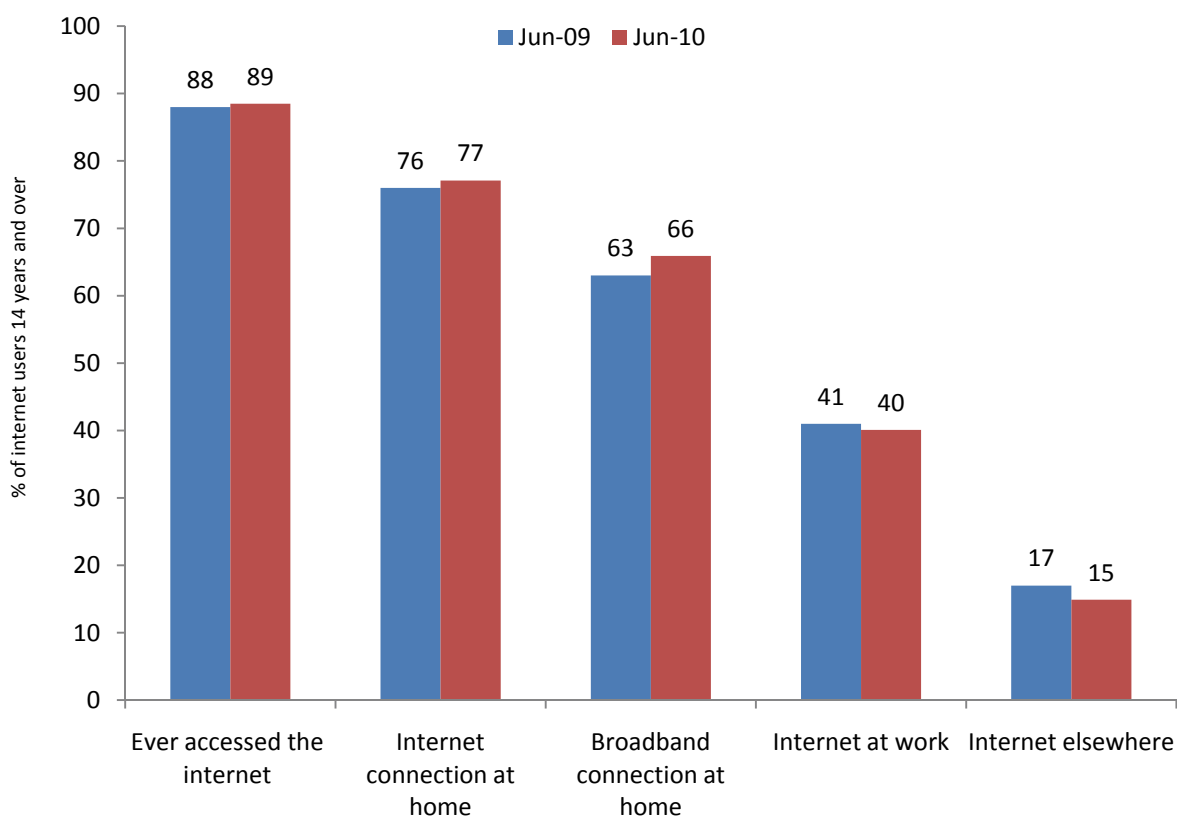
At the end of June 2010, there were 9.6 million active internet subscribers in Australia during the June quarter⁷, with the majority accessing the internet from their homes. Seventy-seven per cent had access to the internet at home, with sixty-six per cent of persons aged 14 years and over estimated to have a broadband service to their home in June 2010, compared with 63 per cent at June 2009⁸.

6 Screen Australia, Funding Australian Content on 'Small Screens': A Draft Blueprint, 19 November 2010, p. 30. (www.screenaustralia.gov.au/documents/SA_publications/TVFunding.pdf)

7 Australian Bureau of Statistics, 8153.0—Internet Activity, Australia, Jun 2010; Jun 2009; Jun 2008 (www.abs.gov.au/ausstats/abs@.nsf/mf/8153.0/).

8 Australian Media and Communications Authority, 2009–10 Communications report series Report 1—Australia in the digital economy: the shift to the online environment, p. 6 (www.acma.gov.au/webwr/_assets/main/lib310665/report-1_aust_in_the_digital_economy.pdf).

Figure 2 Access to the internet



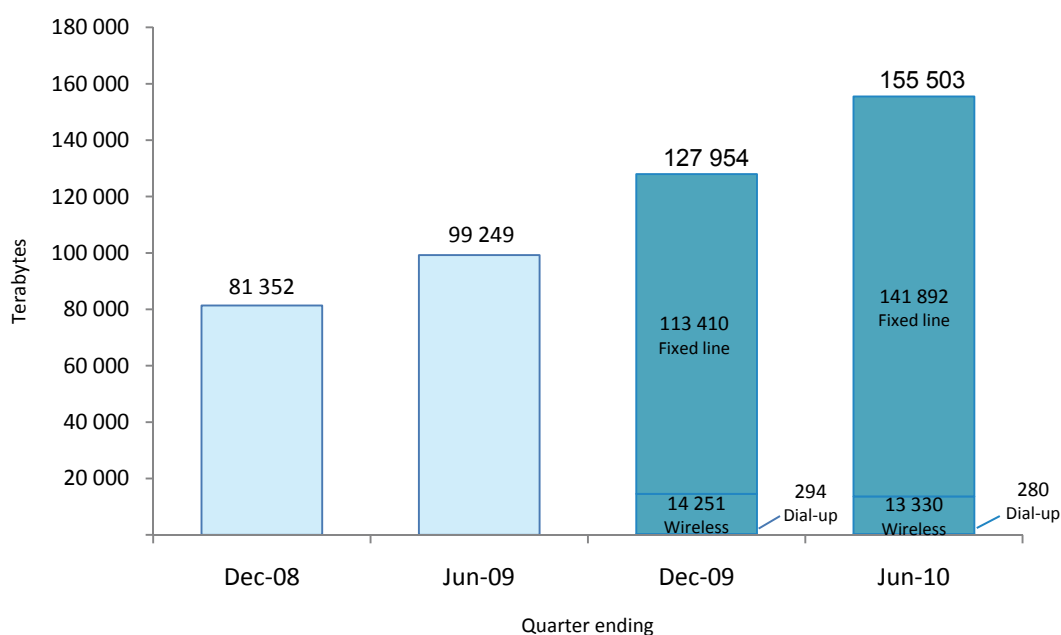
Source: Roy Morgan Single Source, June 2010 as reported in the ACMA report *Australia in the digital economy: The shift to the online environment*.

From June 2005 to June 2010, there was a 100 per cent increase in the number of Australians considered 'heavy users' of the internet. The highest proportional increase in heavy internet users occurred amongst older Australians (as a result of the comparatively smaller online base for this segment of the population), but there were also substantial increases across

all age groups from 14 year olds to persons over 65 years of age, from 63 per cent to 122 per cent⁹.

Once online, our data consumption is increasing. In June 2010, Australians downloaded 155 503 terabytes of information¹⁰. (It may help to imagine that one terabyte is roughly equivalent to 200 DVD-quality movies.) This is a significant increase compared with the 55 434 terabytes downloaded in the 2008 June quarter, close to tripling. The majority of data is downloaded via fixed-line broadband services (91 per cent of data downloads).

Figure 3 Volume of data downloaded by Australian internet users



Source: ABS, 8153.0-Internet Activity, Australia, June 2010 as reported in the ACMA Communications Report 2009–10.

⁹ Id., p. 13.

¹⁰ Australian Bureau of Statistics, 8153.0—Internet Activity, Australia, Jun 2010; Jun 2009; Jun 2008 (www.abs.gov.au/ausstats/abs@.nsf/mf/8153.0).

The top 10 websites that Australians visited show a strong preference for social networking and user-generated sites. Our engagement with these sites is roughly comparable with internet users in the United Kingdom and the United States of America, which demonstrates the increasingly global nature of digital communication. The growth in popularity of global sites such as YouTube—the third most-visited site in Australia—has implications for Australian content¹¹.

Table 1 Top websites accessed in Australia, the UK and USA during June 2010

Most visited websites	Australia (%)	UK (%)	USA (%)
Google search	86	84	72
Facebook	61	66	47
YouTube homepage	43	—	—
Google maps	40	46	37
Wikipedia	38	39	—
eBay	36	46	—
Google image search	32	33	26
ninemsn homepage	30	—	—
Windows Live hotmail	30	38	19
Blogger	21	21	—

Note: Relates to users of a home broadband service.

Source: Nielsen Online, June 2010 as reported in ACMA report Australia in the digital economy: The shift to the online environment

¹¹ Screen Australia, Funding Australian Content on 'Small Screens': A Draft Blueprint, 19 November 2010, p. 31.

(www.screenaustralia.gov.au/documents/SA_publications/TVFunding.pdf)

This online preference for global sites serves as an interesting comparison to the preferences of free-to-air television viewers. Australian titles have traditionally dominated the ratings and the trend has been getting stronger in recent years. The top 20 programs on free-to-air television since 2007 are all Australian¹². This demonstrates the importance that many Australians place on Australian and local content.

According to a July 2010 report by the Nielsen company¹³, Australia has the highest global average for time spent using social media (over seven hours per month). Aside from their social aspect and use to share information, these tools offer new ways to engage with and complement traditional media services. In the United States, blogs and social web sites such as Facebook and Twitter have been described as enabling an 'online water cooler conversation' around television viewing¹⁴. People watch television and engage online at the same time, to discuss what they are watching with friends and family. This is incorporated into television programs in some instances. For example, some television programs have added an interactive dimension by allowing viewers to send comments for a host to read out. The ABC's Q&A

12 Id., p. 48.

13 NielsonWire, Social Media Dominates Asia Pacific Internet Usage 9 July 2010 (<http://blog.nielsen.com/nielsenwire/global/social-media-dominates-asia-pacific-internet-usage/>).

14 Brian Stetler, 'Water-Cooler Effect: Internet Can Be TV's Friend', The New York Times, 23 February 2010 (www.nytimes.com/2010/02/24/business/media/24cooler.html?_r=2).

program displays viewers' Twitter comments almost immediately at the bottom of the screen as the debate continues uninterrupted¹⁵.



Source: Australian Broadcasting Corporation

In Australia, there is further evidence of the interrelationship between online engagement and TV viewing. The highly successful television program MasterChef was popular online as well. The program attracted 233 000 fans on Facebook and became a global trending topic on Twitter. The program also saw video views on the official MasterChef website increase by 44 per cent in 2010 to 13.1 million compared with 2009 and page views for the season reached 48 million, an increase of 32 per cent compared with 2009¹⁶.

Finally, there is a high proportion of mobile voice services in Australia—22.5 million (compared with 22.2 million in June 2009). Of these, 30 per cent

15 ABC Television, Q&A (www.abc.net.au/tv/qanda/txt/s2882539.htm)

16 Lara Sinclair, 'MasterChef a hit dish online as well as TV-ratings winner', *The Australian*, 2 August 2010 (www.theaustralian.com.au/business/media/masterchef-a-hit-dish-online-as-well-as-a-tv-ratings-winner/story-e6frg996-1225899734482)

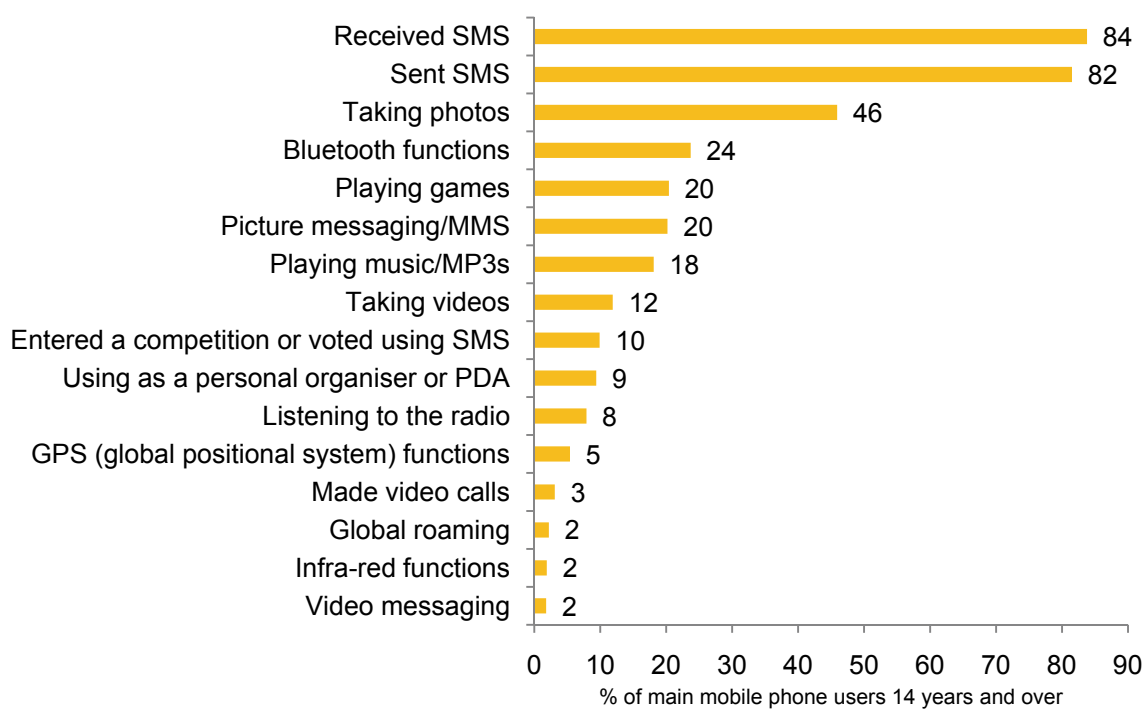
allowed internet connectivity¹⁷. The greatest growth in overall mobile services in Australia came from mobile wireless broadband services, where customers accessed a broadband service via a datacard or dongle connected to a desktop or portable computer. The number of mobile wireless broadband subscribers increased from two million in June 2009 to 3.5 million in June 2010¹⁸.

The increased capacity of mobile networks, including through the rollout of 3G services, and the increased functionality of mobile devices has led to a diversification in the range of non-voice activities conducted via mobile handsets.

17 Australian Media and Communications Authority, Communications Report 2009_10, p. 27 (www.acma.gov.au/WEB/STANDARD/pc=PC_312368), Id., p. 32

18 Australian Bureau of Statistics, 8153.0__Internet Activity, Australia, Jun 2010; Jun 2009; Jun 2008 (available at: <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8153.0/>).

Figure 4 Non-voice activities undertaken via mobile telephones, June 2010



Source: Roy Morgan Single Source, June 2010 as reported in the ACMA Communications report 2009–10.

Impact of convergence on business

The growth in the number of devices and platforms by which consumers can communicate and engage with media has changed revenue models for traditional media businesses, and caused the development of new and changed business models.

There are three main changes discernible in the communications industry as a result of convergence. These are the rise of a new platform—online—to compete for advertising dollars; the fragmentation of the market across more platforms and competitors; and, the (presently) lower level of online revenues.

The growth in new distribution channels, including online, and the changing media consumption habits, are altering advertising expenditure. Some of the changes in advertising expenditure are assumed to result from the global financial crisis. However, even allowing for these weakened economic conditions, the pattern of advertising expenditure seems to have changed as a result of convergence.

In the 2009 calendar year, television advertising expenditure remained stable at 28 per cent of total expenditure¹⁹. Total expenditure on online advertising in Australia increased by 12 per cent to reach \$1.9 billion by the end of 2009.

¹⁹ Australian Media and Communications Authority, Communications Report 2009–10, p. 50 (www.acma.gov.au/WEB/STANDARD/pc=PC_312368).

Overall, online advertising also increased its share of total media advertising expenditure from 13 per cent in 2008 to 15 per cent in 2009²⁰.

In the five years to 2008–2009, the revenues for free-to-air broadcasters have fluctuated, most likely due to global financial conditions as well as the increased competition for advertising revenue. However, program expenditure has remained steady. In particular, expenditure on Australian drama as a proportion of total revenue has risen over the last five years from 3 per cent in 2006–07 to 5 per cent in 2008–09²¹.

Added to this tension between fluctuating revenues and rising programming expenditures is the fact that the convergence trend is leading to competition for consumers' attention in other revenue models for content. Disney CEO Robert Iger has noted on several market updates²² that the decline in DVD sales over recent years seems to be less as a result of cyclical conditions related to the weaker economy, but actually reflective of fragmentation of the consumer market, as more and more products and services compete for consumers' entertainment time.

²⁰ Id., p. 50.

²¹ Screen Australia, Funding Australian Content on 'Small Screens': A Draft Blueprint, 19 November 2010, p. 31. (www.screenaustralia.gov.au/documents/SA_publications/TVFunding.pdf)

²² R. Scott Raynovich, 'Disney Dinged by Flight from DVDs, Economy', Contentinople, 4 February 2010; Ryan Lawler, 'Disney's Iger: DVD Sales Drop is Sobering', 12 November 2010 (<http://gigaom.com/video/disneys-iger-dvd-sales-drop-is-sobering/>).

One industry that has grown to compete for consumer attention is the gaming industry. The interactive games sector in Australia is estimated to have increased by 41 per cent in 2008²³.

Another trend affecting business models is the trend towards the 'granular' nature of media consumption. For example, consumers can now download songs, not albums; watch specific TV shows on demand and not the linear programming of a channel, and read a single news article through an online search engine, rather than purchase and read the day's newspaper edition. In the online world the consumer is in the driving seat of their own media and entertainment consumption patterns with more choice and control than ever before.

In addition to the rise of competing online platforms and fragmentation of the consumer market, another challenge to established business models is that digital revenues are not yet matching analog ones. In 2008, NBC Universal CEO Jeff Zucker famously stated that media companies should not 'trade analog dollars for digital pennies'²⁴. By 2009, he quipped that this may have increased to 'digital dimes'²⁵. While online revenues are growing and the

23 PriceWaterhouseCoopers, Media and Entertainment Outlook 2009–2013 (August 2009).

24 Liz Gannes, NBC Jeff Zucker Dishes on Hulu, Strike, iTunes, Kitchen Sink, GigaOm, 27 February 2008 (<http://gigaom.com/video/nbc-jeff-zucker-dishes-on-strike-hulu-itunes-kitchen-sink/>).

25 Chris Albrecht, Zucker: 'We're at Digital Dimes Now', GigaOm, 18 March 2009 (<http://gigaom.com/video/zucker-were-at-digital-dimes-now/>).

gap is reportedly closing²⁶, ensuring ongoing investment while balancing the difference between analog dollars and digital cents presents challenges to established media companies.

Effects of convergence on regulations and references to the Terms of Reference

These online trends are significantly challenging the existing media regulatory regime, which was built around an environment that emphasised linear programming to a singular concept of 'audience', a reliance on terrestrial licensing and associated spectrum allocations, and the use of traditional broadcasting business models and methods for content delivery.

There is widespread agreement—both in Australia and internationally—that regulatory settings need reassessment in light of convergence trends. The OECD indicated as far back as 2007 that 'legacy policy frameworks should not hamper convergence, investment and choice in the marketplace.'²⁷ The International Telecommunications Union acknowledges that asymmetries in the burdens or opportunities created by regulation creates the potential for competitive advantages for certain firms²⁸.

In light of the technological innovations, changed media consumption patterns and business model challenges outlined above, the government has

26 Jo Mullin, Digital Home: The Content Conundrum—How Does It All Get Paid For?, Paidcontent.org, 8 November 2010 (<http://paidcontent.org/article/419-digitalhome-the-content-conundrum-how-does-it-all-get-paid-for/>).

27 OECD Policy Guidance for Convergence and Next Generation Networks DSTI/ICCP/CISP(2007)11/FINAL 7 April 2008 (www.oecd.org/dataoecd/14/52/40869934.pdf).

28 Fixed-Mobile Convergence Discussion Paper, ITU Global Symposium for Regulators, 2007

directed the Review Committee to examine the current broadcasting and media policy framework and ask whether the existing regulatory objectives remain appropriate.

Areas of focus for the review, as outlined in the Terms of Reference, include the following.

> **Policy settings that encourage Australian, local, and children’s content**

Under the current regulatory framework, Australian content quotas (including children’s content) and local content quotas apply to commercial television and radio. These broadcast quotas ensure the production and broadcast of Australian content and complement other government initiatives that support the supply of Australian content. Subscription television services are subject to a different scheme that requires them to spend 10 per cent of their drama expenditure on Australian content. Services delivered over the internet or mobile networks have no content requirements at all.

The rise of these alternative audiovisual services and the growing fragmentation of the media market raises questions as to the best way to ***ensure the ongoing production and distribution of local and Australian content that reflects and contributes to the development of national and cultural identity.***

> **Policy settings and spectrum allocation**

Radiofrequency spectrum is required to carry information/communications (such as television and radio) over wireless networks. It is a valuable public resource and the broadcast planning system is based on allocating spectrum efficiently and ensuring that Australians have access to a diversity of radio and television services suitable to their region.

A core part of the planning process is the issuing of licences by geographical region or licence area. A range of government policies, such as media control and diversity are linked to broadcast licence areas. This framework is already under pressure from satellite broadcasting, and is coming under more pressure from services available globally over the internet. Broadcasting spectrum is a finite resource that is potentially very valuable. A further consideration for the review is how a public return for the use of this resource is levied on spectrum users, including the quantum and nature of the return. The Terms of Reference direct the Committee to consider *appropriate ways to treat content, and the services and applications used to deliver content, which are cross-border in nature* and *the appropriate processes by which to manage spectrum allocation*.

> **Policy settings that reflect community standards**

There is some variation in how classification categories are applied on different platforms—for example, subtly different classification schemes are used by the free-to-air broadcast sector and the film distribution and cinema

sectors. Convergence significantly challenges these distinctions because the same story might be told over multiple platforms, but fall subject to variations in classification ratings and the way in which these ratings are applied. There are also variations in the requirements for different platforms around advertising standards—for example, community concern over offensive or insensitive advertisements and community standards on news reporting and the broadcast of emergency information. The government intends that the review considers ***appropriate policy settings to ensure the adequate reflection of community standards and the views and expectations of the Australian public***

> **Policy settings for maximum consumer choice**

The allocation and regulation of broadcasting licences based on geographic areas is under pressure from the increasing delivery of television like content over the internet. An example of this is the audience reach rule in Section 53 of the Broadcasting Services Act which prevents commercial broadcasters from controlling licences reaching more than 75 per cent of the population. This rule is increasingly under challenge as major commercial networks now offer internet television services, available to all Australians with an internet connection.

Amendments to the Broadcasting Services Act in 2006 were designed to encourage investment in new markets by removing some restrictions on control and ownership. Despite these recent changes, the existing media

diversity rules still only apply to three markets—radio, TV and newspapers. Importantly, they do not reflect the diversity represented by other content services including subscription television, new managed IPTV services and the range of internet services such as download services, catch-up TV, and social media. In light of these limitations the government has directed the review to take into account the appropriate policy settings to ***maximise transparency, choice and access for consumers to the broadest range of content across platforms, and services used to deliver content.***

Related issues

The topic of convergence touches on a broad range of issues. To ensure the Convergence Review is effective, it will not be possible to consider every issue associated with the key trends outlined above. Many of the issues that are not covered in the Terms of Reference are subject to consideration by separate policy review discussions. Where these issues intersect with convergence issues, the Review Committee has scope to consult appropriately and, where necessary, to accept or send referrals to other reviews.

In particular, there are a number of telecommunications-related issues that are not viewed as appropriate for consideration at this time as they are dependent upon ongoing discussions around the NBN, or are under consideration as part of the establishment of USO Co, a government entity that will, among other things, assume some responsibilities under the Universal Service Obligation. More generally, the government has embarked

upon a comprehensive reform agenda of the telecommunications regulatory regime, to address long-standing concerns with the way in which the regime operated, and to appropriately pave the way for the rollout of the wholesale-only access NBN.

Next steps

This paper provides context to some of the issues that the Convergence Review will cover. Over the course of the review, the department will release discussion papers that focus on particular policy areas. The Review Committee will also undertake a comprehensive consultation process and will accept submissions from interested parties.

For information about the discussion papers, the consultation schedule and process and about making submissions, please visit the convergence review website at dbcde.gov.au/convergence. Please send specific questions by email to convergence@dbcde.gov.au or by post to:

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