ITU-D Study Groups

Question 3/1 and Question 4/1 joint session on the Economic Impact of OTTs on National Telecommunication/ICT Markets

Tuesday, 1 October 2019 (Room K, ITU)

Notes for ITU workshop on the Economic Impact of OTT Platforms
1st October 2019

How to address a variety of concerns associated with online platforms has become a pressing policy question around the world. For example, in the UK we have seen:

- The Furman Review, which proposed the creation of a new 'Digital Markets Unit' to consider the competition issues raised by powerful online platforms
- A proposal from the UK Government that online platforms should have a new 'duty of care', in order to protect users from harmful content
- A new Centre for Data Ethics and Innovation, considering how to exploit the potential of Artificial Intelligence, whilst ensuring that human beings are treated in an ethical manner

These are difficult issues individually, and they have also had a cumulative effect. The feature of the current debate about online platforms that I find most striking is how much general attitudes have shifted over a very small number of years. A sector of the economy which used to be admired for its innovation is now seen by many as a source of harm, and an inevitable target of regulation

This shift in sentiment is understandable but it is also dangerous. It creates a risk of poorly designed interventions which do more harm than good.

The power held by online platforms does raise concerns, and I believe that a new regulatory framework will be required to address these. At the same time, we must not forget the level of innovation which has been enabled by online platforms, and the extent to which the services they provide have transformed peoples' lives for the better

I'd draw a couple of general parallels with the history of telecoms regulation. In the UK this goes back about 150 years, to the 1868 review which was carried out into the market for electric telegraphy. This resulted in the nationalisation of telecoms in the UK. But neither that nationalisation, nor the 150 years of intervention that followed, fully addressed the concerns expressed in 1868 (which were, by the way – high prices, poor quality of service, and an analogue version of the digital divide).

The lessons I draw from these 150 years of history are:

It is generally much easier to identify a competition concern than it is to fix it. Markets are never perfect, and it is often easy to point to outcomes which are poor. It is much more difficult to design regulatory frameworks which are practical to implement and deliver better outcomes

The history of telecoms regulation has often been driven by ideological positions. Public versus private ownership. The promotion of competition versus the use of regulation to deliver specific outcomes. The lesson from history is that abstract ideology is rarely a good basis for policy. We should be pragmatic, blending what works from different approaches

So let me make a few remarks about how we might apply the experience gained in telecoms to online platforms

First, we need to recognise that online platforms and telecoms networks are very different type of businesses. There are frequent calls for a 'level playing field' between them, but I struggle to understand what this might mean in practice. Telecoms networks make lower returns but are also lower risk. Networks have been around for the last 100 years and will continue to operate for the next 100. Telcos may need to get used to the idea that they are operating at the less glamorous end of the market, but one which is nevertheless of critical importance, and can certainly be profitable.

Secondly, the most important characteristic of online platforms is that they are not the same as each other. A search engine is not the same as an app-store, a subscription movie service is not the same as a social network. In a world where a substantial proportion of all business is transacted

over the internet, it would be absurd for the nature of regulation to be determined by that fact alone.

Third, regulation needs to be designed to address the specific risks associated with different technologies, different types of services. Let me take the risks associated with Artificial Intelligence as an example. This is topical because the incoming president of the European Commission has already committed, in her first 100 days of office, to "put forward legislation for a coordinated European approach on the human and ethical implications of Artificial Intelligence".

I worry about this rush to legislate, given that few policy makers yes have a strong understanding of how AI works as a technology, or how it is exploited by different platforms. The specific risks associated with AI vary between platforms, and therefore so do the mitigations:

- Content distribution platforms will use AI to determine what movies I am likely to enjoy. The risks associated with this application of AI seem to me to be low, and there is no obvious need for new regulation
- A greater concern arises with AI-based editorial control of news and current affairs. There are concerns around the introduction of bias, and the creation of echo chambers. I'd argue against formal intervention here, due to the risk to freedom of expression. Policy makers and platform operarors need to work together to develop an editorial code which addresses this issue
- E-commerce platforms will use AI to recommend goods and services to me. This creates a competition concern that the recommendations made by platforms will favour their own services. This can probably be addressed *ex post*, by assessing the results provided by recommendation engines for bias. This avoids the need to use *ex ante* regulation to specify in advance how AI-based recommendation engines should be designed
- But safety-critical control systems which use AI to make decisions probably require some form of ex ante regulation, which establishes and enforces those technical standards required to protect safety of life.

The examples I've given here are not intended to be comprehensive. They are meant to illustrate that the design of any AI regulation must be based on an understanding of how AI is used in different sectors, the specific risks that arise, and the best means of mitigating them.

The same applies to other technologies used by online platforms, and the services that they deliver. Regulation of online platfoms is probably inevitable, and can be beneficial. But only if it is designed based on actual evidence of harm, rather than fear of the unknown.

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Before becoming a regulator he spent several years in the private sector. He worked for a variety of high-tech start-ups whose focus was the commercial exploitation of new wireless technologies

He has served as a non-executive Board member for several organisations. Some have been responsible for promoting international collaboration on public policy (BEREC, the IIC), others the commercial application of technology (The Geospatial Commission, Cambridge Wireless, ASSIA Inc).

He is now working as an advisor on the public policy implications of new digital technologies.