



## **U.S. Chamber of Commerce Submission to ITU Online Open Consultation on the "Public Policy considerations for OTTs"**

The U.S. Chamber of Commerce (“the Chamber”) is the world’s largest business federation, representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

While the Chamber appreciates the important role the ITU plays in the allocation of spectrum, developing technical telecommunications standards, and promoting the growth of telecommunications networks in developing countries, we do not see a reason for the ITU to expand its role beyond its current remit into work streams related to Internet-related issues, such as online services and applications. The ITU should continue to focus on its existing mandate and core competencies. We also note that the open consultation on “Public Policy considerations for OTTs” represents the third time the ITU has solicited stakeholder views on this topic. During the previous two instances multiple stakeholders expressed that OTTs are not an appropriate initiative for the ITU.

OTTs are facilitators of economic growth, job creation, and social benefits that bring value to suppliers, consumers, and society as a whole. Any public policy considerations should be made on a country-by-country basis and focused on meeting critical societal objectives without limiting the benefits OTTs’ global reach offers to consumers. Over-strict regulation or regulation imposed too early in the development lifecycle of OTTs stifles innovation and investment, dampens competition, and harms consumers.

### **Public Policy considerations for OTTs**

#### **1. What are the opportunities and implications associated with OTT?**

The digital economy is increasingly indistinguishable from the global economy, with the ability to offer and use services across borders serving as the foundation. “Over-the-top” (OTT) applications, while in existence for less than a decade, have become a key driver of growth in the global economy, offering many different functionalities including: texting, sending pictures, sharing videos, group voice or video chat, voicemails, browser based use, location data, VoIP, stickers/GIFs, timeline/channels/profiles, sending data files, in-app gaming, encryption, money transfer, local commerce platform, mobile payment, translation, dedicated partners – the list goes on.

By seamlessly offering OTTs in an open marketplace, consumers worldwide are able to leverage the best of these applications, and, in turn, economies are benefiting from increased economic growth, job creation, and innovation. OTTs generate a significant component of the socioeconomic impact of digitization and utilization of the internet and add value to the broader economy. It is estimated that each 10 percent increase in usage added 5.6

trillion USD to global GDP between 2000 and 2015.<sup>1</sup> Revenue from OTTs is expected to increase to five-fold by 2020.

**Value Chains:** OTTs can help reduce transaction costs by enabling increased efficiency in service or product delivery as well as connecting consumers and suppliers. This benefits stakeholders at all levels in the supply chain, from the telecommunications providers who are able to invest into improved services and infrastructure, to end-users such as governments and businesses that use OTTs and the underlying network connectivity needed for these services, and ultimately end-user consumers. OTTs also increase the demand for bandwidth driven by applications.

Increased local value is generated through applications such as increased advertising for local suppliers. Locally-based small and medium-sized enterprises (SMEs) have access to consumers in markets that may have previously been difficult to access without the use of OTTs. Such applications make it easier for SMEs to do business locally and across borders. For example, some applications allow suppliers to more easily communicate with consumers than traditional business-to-consumer channels.

**Consumers:** As demonstrated by the increasing use of OTTs, competition among creators has enabled consumers to benefit from a wide range of new features, including almost all common internet activities. Consumers find value in the diversity and richness of the functionalities OTTs offer, which go beyond traditional telecommunication services. Increased consumer use of OTTs incentivizes greater competition and investment in the wider communications ecosystem.

**Society:** OTTs help generate social and economic development in the economies in which they are used, particularly in bridging communication gaps, empowering people with disabilities, extending connection services to remote areas or in cases of disaster, and enhancing the delivery of healthcare and education information.

On average, 3.5 languages are spoken in each country, resulting often in language barriers that can make it difficult to do business and interact. In order to overcome this barrier, many consumers and businesses are using applications that translate in real time and often at no cost.

Individuals with disabilities experience a different set of challenges in their efforts to communicate. OTT applications offer greater functionality such as touchscreens or speech recognition than many specialized applications. These OTT applications are also more affordable and readily accessible to users who may not be able to get specialized devices.

OTT applications also bridge the digital divide by expanding communications options to those that have little access to traditional telecommunications services. This in turn helps facilitate the maintenance of close relationships over long distances across rural areas. OTTs have also played important roles in aiding disaster relief through assisting to connect loved ones separated during a disaster and providing life-saving information back to communities affected by a disaster.

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<sup>1</sup> Dr. René Arnold, Christian Hildebrandt, Peter Kroon, Serpil Taş The Economic and Societal Value of Rich Interaction Applications (RIAs), May 2017, [http://www.wik.org/fileadmin/Studien/2017/CCIA\\_RIA\\_Report.pdf](http://www.wik.org/fileadmin/Studien/2017/CCIA_RIA_Report.pdf)

OTTs can help provide crucial health and education information. For example, applications are providing important medical information, helping train health workers in remote locations, helping education projects and learning groups by establishing direct lines of communication between teachers and student groups to distribute learning materials and supplement traditional learning methods.

**Government efficiency:** OTTs are also tools to help improve enterprise and government efficiency. For example, OTTs offer governments better and more efficient ways to communicate with citizens through eGovernment initiatives. These initiatives not only benefit the government by saving valuable time and resources but lead to a more engaged citizenship that is better able to participate in society and decision-making.

**Innovation:** There is huge potential for further innovative applications in the OTT space to be developed. In order to do so however, it is critical that the right environment exists that promotes rather than stifles innovation. OTTs have created a new set of business models, such as subscription based fees, advertisement uses, and free versus premium features. These new business models depend heavily upon the open market and competition.

## **2. What are the policy and regulatory matters associated with OTT?**

It is a faulty assumption to view OTT products and services as unregulated. In reality the OTT products and services offered to consumers are regulated in any number of ways. It is far from apparent that any emerging policy or regulatory matters translate into a role for the ITU, but rather are best left at the country-specific level to review existing regulatory frameworks. For this reason, the Chamber believes the ITU should avoid expanding its work to include Internet-related issues as it goes beyond its traditional mandate.

Instead of focusing on regulation, domestic policymakers and regulators should seek to enable innovation and investment and ensure users are able to benefit from increased use of OTTs. Therefore, an appropriate and successful regulatory approach should focus on balancing critical societal objectives with the benefits of OTTs to consumers. Unnecessary and unproven need for regulation only serves to stifle innovation and investment, dampen competition, and harm consumers.

Rather than expanding outmoded, burdensome regulations to new technologies such as OTTs, domestic regulators should seek to streamline regulatory burdens to enhance competition. Telecommunication operators should have the flexibility to offer innovative communication services that are not encumbered by traditional telecommunications regulation, so long as the services are offered in a way that do not impede access to competitive alternatives.

Before adopting any new rules, domestic policymakers should first consider whether there is consumer harm, and whether there are existing legal and regulatory frameworks that address the matter at hand. For example, OTT services are already subject to regulations around consumer protection, data security, and competition. Further, OTTs offer a range of services from messaging apps to social media sites to cloud services so it is unwise to compile them under one umbrella regulatory framework.

### **3. How do the OTT players and other stakeholders offering app services contribute in aspects related to security, safety and privacy of the consumer?**

In the complex, interdependent internet landscape, no single actor can guarantee the security, safety, and privacy of consumers. Cooperation between OTTs, telecommunications service providers, hardware manufacturers, governments, and civil society organizations is critical to building confidence in the use of the internet. Approaches to security and privacy must remain collaborative, flexible, and innovative over the long term—enabling solutions to evolve at the pace of the market.

OTT applications offer users new and innovative ways to protect their privacy and security. The cost for switching from one OTT application to another is extremely low while competition is high. This has pushed OTT service providers to compete to offer the best security, privacy and safety features.

### **4. What approaches might be considered regarding OTT to help the creation of an environment in which all stakeholders are able to prosper and thrive?**

Traditional telecommunications providers and OTTs benefit from each other's continued growth and success. As providers look forward to 2020, a new area of growth in the telecommunications sector will be in the capability provided by 5G. The economic impacts of 5G technology could lead to 500 billion USD in GDP growth and three million jobs created.<sup>2</sup> 5G innovation will require investment from traditional providers and the return on this investment will, in part, be driven by consumer demand for new innovative technologies. OTTs can help drive growth, provided the regulatory environment allows the symbiotic relationship between traditional providers and OTTs to endure.

Broadband and mobile network infrastructure is fundamental to the provision of OTT applications but is not the only infrastructure required. Content delivery networks and data centers are also important elements of the overall infrastructure required for delivery of digital services. Barriers to entry for OTT services should remain low in order for small- and medium- enterprises (SMEs) to still be able to create, deliver, and/or access these applications. SMEs have greater access to products, services, and consumers at lower prices and higher quality thanks to OTTs. Heavy regulation could limit the ability of SMEs to enter or participate in the market.

### **5. How can OTT players and operators best cooperate at the local and international level? Are there model partnership agreements that could be developed?**

Domestic authorities should remove any unnecessary or outdated regulatory barriers to allow interested parties to form partnerships to invest in, build, and operate infrastructure (e.g., wholesale backhaul networks). At the same time, any partnership agreements between OTT players and operators should be kept voluntary and should not be mandated by regulation. Across the entire digital ecosystem, a reliance on market-driven solutions best ensures a healthy ICT sector and mutually beneficial interdependence between network providers and service providers

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<sup>2</sup> Accenture, How 5G Can Help Municipalities Become Vibrant Smart Cities, 2017 <https://www.ctia.org/docs/default-source/default-document-library/how-5g-can-help-municipalities-become-vibrant-smart-cities-accenture.pdf>

On the international level, policymakers and stakeholders are already working together outside of the ITU to ensure greater interoperability and avoid a fragmented global network of differing regulations. Government-led and country-specific standards or approaches will be disruptive to the inherently global nature of OTTs. Further, duplicative requirements or mandates on storing data locally would disrupt competition by creating higher barriers to market entry. In order to ensure that global economies benefit from the social and economic benefits, the ITU should avoid expanding beyond its core competencies into work streams related to Internet-related issues, and instead allow multi-stakeholder processes in other forums to continue to advance market-based and voluntary standards.

## Appendix – Case Study: The Benefits of OTTs on the Indian Economy

To supplement this submission, the U.S. Chamber-affiliated U.S. India Business Council (USIBC) offers the following background on the beneficial impact of OTTs on the Indian economy. While there is broad appreciation of the important role the ITU plays in allocating spectrum, developing technical telecommunications standards, and promoting the growth of telecommunications networks in developing countries, we are concerned over any effort by the ITU to move into work streams related to Internet-related issues, such as online services and applications. This appendix represents the business community's interest in advancing opportunities of OTTs, but does not reflect a belief that the ITU should become directly engaged in regulatory policymaking with respect to OTTs or other online services and applications.

The growth of the OTT economy in India, in less than a decade has been impressive. OTTs are contributing significantly to the Indian economy, and Indian online services and application producers are driving OTT growth globally. For example, App Annie, an app-analytics company, recently ranked India as the fourth largest app economy in the world, with annual app downloads to reach 7.7 billion by the end of 2017<sup>3</sup>. From 2015 to 2016, OTTs contributed at least \$20.4 billion to India's GDP. It is estimated that a 10 percent increase in India's total Internet traffic delivers on average a 3.3 percent increase in India's GDP. Comparatively, a 10 percent increase in India's mobile Internet traffic delivers on average of 1.3 percent increase in India's GDP. By 2020, OTTs could contribute a minimum of \$270.9 billion to India's GDP.<sup>4</sup>

OTTs have positively impacted the Indian economy by enhancing and extending global opportunities across the local supply chain, enriching consumer experience, making the government more inclusive and efficient, enabling companies to innovate, and bettering society as a whole, particularly citizens that are usually at a disadvantage. A 2017 Indian Council for Research on International Economic Relations study identified several broad socio-economic benefits delivered by OTTs. Some of their benefits included: (i) potential for increased income; (ii) access to information and reduced asymmetry; (iii) impact on the social perception and self-image of the differently-abled; (iv) job creation (v) efficiency in service delivery (one stop shop for multiple services); (vi) providing smaller businesses/ individuals a platform to market their products and services (vii) encouraging disintermediation and lowering cost to buyers and sellers; (viii) popularizing use of vernacular languages; (ix) enabling women safety.<sup>5</sup>

Due to the benefits accruing from use of OTT services, the Indian consumer's appetite for data has been growing sharply. The volume of wireless broadband data consumed by Indians has risen sharply, from less than 200 million gigabytes (GB) a month in June 2016, to around 1.3 billion GB a month in March 2017. Data prices per GB have fallen from around \$3.50 to \$1.80 in the same period. With smartphone penetration set to double by 2022, the increase in data traffic per smartphone is expected to grow by more than double, from 4 GB per month in 2016 to 11 GB per month in 2022

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<sup>3</sup> <http://economictimes.indiatimes.com/tech/india-is-worlds-fourth-largest-app-economy-report/articleshow/53092793.cms>

<sup>4</sup> <http://www.communicationstoday.co.in/images/reports/20170717-ICRIER-report-Estimating-the-impact-of-new-generation-apps-in-india.pdf>

<sup>5</sup> Ibid.