

1 How can we ensure that the drawbacks of convergence do not outweigh its benefits?

1.1 Definitions: What is Technological Convergence?

The technology convergence is a process by which telecommunications, information technology and the media, sectors that originally operated largely independently of one another are growing together. It is a process of qualitative change that connects two or more existing, and previously distinct markets (Stobbe, Just 2006:4).

"Convergence can be expressed as the ability of different network platforms to carry essentially similar kinds of services and the coming together of consumer devices such as the telephone, television and personal computer. It is therefore not just about technology, but about services, new ways of doing business and of interacting with society" (Bezzina, Terrab 2005:19).

As Nystrom and Hacklin indicated, liberalization of telecommunications market, adoption of regulations in favourable way, opinions and reactions of end-users, the Internet and digitization of data and information are the foremost important drivers behind the convergence process (Nystrom, Hacklin 2005:12).

1.2 What are benefits and drawbacks of convergence?

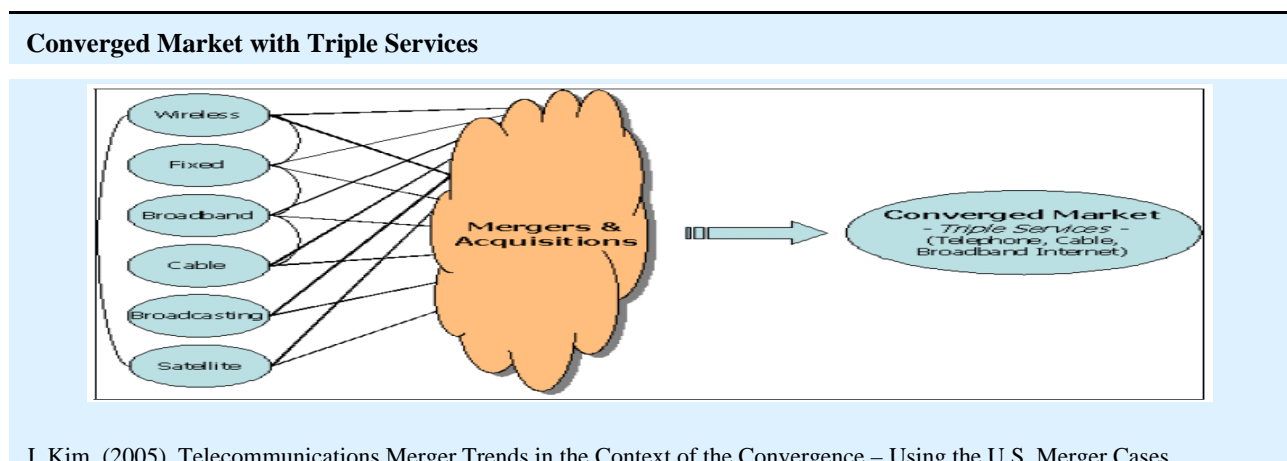
Massive opportunities for the development of new value-added services, convenience, efficiency and the expansion of consumer choice are offered by technology convergence. It expands the overall market for ICT and related services, and is likely to be the catalyst for the next stage in the integration of the world economy. Moreover, it is giving rise to new intelligent products. Information technology is turning machinery, equipment, cars and household appliances into more than data processors. Hooked up to communication networks, they can also exchange data with other devices. As a result, work sequences whose results depend on very many previously isolated single elements can be optimized. Smart homes and new transport technology in automobiles are good illustrations (Stobbe, Just 2006:7).

With the benefits come new policy and regulatory challenges, such as the protecting consumer interests (including competition laws), intellectual property rights, setting of manufacturing standards, facilitating cyber-trade, controlling emerging cyber-crime, reduction of traditional jobs and other public issues.

1.3 Monopolization of Market as a Major Concern of Impact of Technological Convergence

The need for media producers to place their products in the largest possible number of different platforms forces them to merge. At present time three separate communication sectors: information technology, telecommunications and broadcasting are merging to become a single communication service sector.

According to Kim, "the next battlefield will be on the converged market that is the triple services or bundling services among telephony, broadcasting and internet services" as seen in Figure below (Kim 2005: 6).



1.3.1 Legal Issues Arisen by Technological Convergence

Convergence from the point of view of competition law may give rise to different issues. Merging companies may possess a certain technology, know-how or technical standard allowing them to exert a significant degree of control in respect of the access to a given market. They also may hold a significant degree of control over the source of the different businesses at stake in the relevant markets, i.e. of the primary input at the top of the value chain of the product. In the media industries, this will generally refer to the company producing the audio-visual product (films, music, TV-programs) and/or holding the corresponding copyrights. There may be also a path issue, where a company exerts a significant degree of control over the path to the customer, i.e. the distribution channels (Pereira 2002:4).

1.3.2 Legal Issues Arisen by Technological Convergence

Mortensen notes, that while technological and economical changes have been the most influential factors in stimulating recent policy and regulatory reassessments in the world with respect to telecommunications and broadcasting regulations, public interest and socio-political concerns should also remain significant in the design of new regulatory and policy responses to convergence and competition (Mortensen: 99).

William Melody notes that regulatory environment for communications typically develops under the influence of different technological, economical, socio-political factors, as well as the impact of public interest. Presently these four categories of influences affect communications on a global scale. Convergence of media and growing abilities of carriers to infiltrate national borders leave former sector-specific regulatory approach irrelevant. Deregulated and increasingly more competitive global market of telecommunication shifting the rationale for regulation as well as the economic field itself. Where in the past there were monopolies, now there privately owned companies. Accordingly, dependence on competition law is increasing, thus, highlighting the shortcomings of existing regulations. The public interest is intertwining with all these changes as members of the public participate in the process both as consumers of services offered and as primary policy-makers. In an attempt to treat the communications sector from free market perspective concepts such as public interest and the notion of universal access are increasingly overlooked (Mortensen:100).

According to ITU report, the regulatory framework for convergence should take into account the structural differences characterizing this sector in comparison to the peculiarities of each of the converging sectors. Supply side of many convergent services is characterized by plurality of delivery systems. Simultaneously, different constraints such as limited budget and time create a substitution effect in the demand side of many convergent services. Thus, a service provider is forced to take the offered price, instead of making the prices themselves.

The convergence world requires reassessment in the areas such as dominance, common carriage and open network provision. The regulation that emphasizes market characteristics of the specific service rather than on its delivery system should be given primary consideration.

In order to address the aforementioned issues measures such as reassessment and removal of the regulatory barriers to convergence, creation of new and lighter regulatory tools for broadband services, providing support to private investment policies and to the dynamics of the competitive market, as well as reduction of the level of regulatory intervention should be undertaken (Final report of ITU 2002:16).

Since convergence at the moment is in the transition phase, different sectors of broadcasting, ICT and telecommunications will continue to have characteristics, which are distinctly different, and require specific strategies. In this context, the regulatory framework should remain flexible and reflect new evolving processes, the technology developments, and be ready to deal with the corresponding market responses. The creation of national regulators, therefore, should take into account the ongoing worldwide globalization process (Final report of ITU 2002:17).

1.4 Conclusion

In order to guarantee effectiveness of these regulations across newly converging technology and service sectors they must be accompanied by mutually supportive policies and regulations both in economic and social sectors. Nations need to think and plan differently to maximize the benefits of technology convergence. Policy formulation needs to be rethought. Nations should develop single coherent strategy that includes wide variety of policy initiatives and implementation projects in the areas such as

telecommunications, healthcare and banking. By doing so the nations be prepared to succeed and survive in the information era.

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