

Government Response to the House of Lords Select Committee on Communications report on Media Convergence

The Government welcomes the Select Committee's Second Report of the 2012-2013 Session into media convergence.

Convergence, the blurring of lines between previously distinct media, is an exciting prospect. There are new services emerging that are giving people access to the videos articles and shows that people want, when and where they want them: newspapers read on tablets, videos watched on mobile phones. This makes life easier, lets us make the most of our time and better connected.

The Committee's report presents a picture of the converging media landscape and the opportunities and challenges that this creates. The assessment of the situation is one that the Government recognises from our own review of the Communications sector.

The value of this sector to the UK and the economy is not to be underestimated, and over the last decade it has gone from strength to strength, and now contributes some £53 billion to the economy. The sector is growing, providing jobs and new business opportunities, creating exports and boosting inward investment, generating benefit for the UK in the most challenging global economic circumstances. It underpins our economy far beyond the direct value of the sector itself - the infrastructure, creativity and ways of communicating and sharing support other parts of the economy providing a smarter and more efficient way of communicating, promoting and selling.

The sector is also crucial to us all as individuals, allowing us to communicate as never before and giving us access to more and more sources of information and content. And it is important to us as a society, providing us with new opportunities and new challenges for how we want to organise ourselves, to promote public benefits, to protect the vulnerable and to participate in cultural life.

Convergence has the potential to increase the value that this sector generates even further, allowing new businesses model to emerge that offer people exciting and innovative new products and services which bring about great benefits for consumers and business alike. We therefore fully agree with the Committee's view that there should be no movement to reduce the amazing opportunities that are presented by convergence and the internet more broadly.

Convergence is something that has been talked about for over a decade. It is one of the key themes that influenced the Communications Act in 2003 and the role of Ofcom as a converged regulator for the Communications sector. There is no doubt that convergence and the associated technological developments are having an impact, whether we look at the increase in mobile ownership and use of mobile data or to the take up of on-demand viewing.

However, whilst technology and consumer behaviours are changing, it is important to remember in this context that the process of convergence is taking place unevenly. Different media are becoming more converged in different ways and at different speeds. For example the UK market for on-demand services is one of the most advanced in the world with hundreds of on-demand services, yet we see linear retaining its position as

the way that individuals are choosing to access most of their content. More than this, we find that audience expectations have not changed as fast as the technology or the markets. Audiences have continued to distinguish between content on the basis of where they find it and on what service it is provided.

Predicting with any certainty how this will develop and at what pace is an impossible task since the process of convergence is still very much underway. We do not want to make the mistake of attempting to predict the course of developments and inadvertently stifling growth.

However there are some areas where changes are already taking place and identifiable trends that indicate the way forward. For example we can see a clear increase in demand for consumers to have mobile access and for increasing connectivity. We therefore agree with the Committee's assessment that a flexible, industry led approach, will be key to addressing the challenges and making the most of the opportunities of convergence. Importantly we want industry to show leadership in these areas.

The Department is grateful to the Committee for its inquiry into media convergence and we note the recommendations of its report. As the Committee is aware, we have been undertaking a wide scale review of the sector over the last two years, and convergence has been a dominant theme of the review.

Shortly, we will be publishing our strategy and vision for the sector, it would be premature to set out the detail of this ahead of publication, but we hope that you find the high level points below are helpful in the meantime.

Content Standards

The recommendations for content standards in Chapters 2 and 3 and summarised in paragraphs 203-219 refer to content standards on TV and TV-like services. We agree with the Committee's characterisation of the emerging environment for content standards with the convergence of linear and on-demand TV like content and the increasing role of the internet in providing content. We are also in agreement with the assessment that whilst the process of convergence poses a challenge for how we continue to ensure public expectations about content standards are met, the time is not yet right for convergence of linear and non-linear regulation. We will be setting out our approach and proposals for how we address the challenges that this poses shortly.

The recommendations for content standards in Chapter 4 and summarised in paragraphs 220-222 refer to *A Safer Internet*. We agree with the Committee's findings about the challenges and opportunities of the internet and the characteristic expectations of UK citizens in relation to it. This is an area of the utmost importance and will continue to be so as the internet plays an increasingly important role in connecting our society. It is, therefore, something that we are fully focused on addressing.

Ensuring that children experience the internet in as safe a way as possible is something that the Government is committed to. The Government has been working through the UK Council on Child Internet Safety (UKCCIS) – which brings together more than 200 organisations across the information and communication industries, law enforcement, regulators, academia, and charities – to pursue a self-regulatory approach to keeping children safe online.

The Government believes that working with and through industry is the most effective way in which to increase the safety of children online. Securing the engagement of industry and organisations across the whole value chain from internet service providers, mobile phone operators, device manufacturers, retailers, software developers and parents has delivered results, for example:

- The fact that the majority of mobile handsets currently sold in the UK, including all of those sold as pay-as-you-go, have filters which restrict access to inappropriate content activated.
- Many of largest manufacturers such as Dell, Lenovo, Samsung, and Toshiba have responded positively to the request to install parental controls on their devices, and several retailers such as Argos, Dixons, and Tesco have delivered point of sale activities that will ensure parents are made aware of parental controls when they purchase a device.
- The large public Wi-Fi providers, have made a commitment to government to limit access to adult content in public places.
- The five main fixed-line internet service providers (ISPs): BT, Sky, TalkTalk, Virgin Media and Everything Everywhere – which between them currently deliver nearly 90 per cent of home broadband – have delivered against a code of practice under which they agreed to ensure that all new customers would be presented with an option to activate parental internet controls by October 2012. They are now looking at developing their parental internet controls to offer protection to all devices in the home and expect this to be in place by the end of this year.

We will be setting out the Government's strategy for online safety, within the context of our wider approach to content standards shortly.

Content Creation

The recommendations for content creation in Chapter 5 and summarised in paragraphs 223-228 set out a clear picture of how Public Service Broadcasters (PSBs) have an important and continued role within the wider ecosystem of content creation and commissioning in the UK.

The quality and diversity of our content is something for which the UK is admired internationally, and the PSBs are central to this success: they invested £2.8 billion last year in UK content. Non-PSBs have also been increasing the amount they invest in UK content, with Ofcom's latest Communications Market Report setting the figure at £500 million.

In addition, UK originated content is a successful export: research commissioned by PACT¹ and UKTI shows that the revenue generated from international sales of UK television programming and associated activities grew by 9% between 2010 and 2011

¹ PACT – Producers Alliance for Cinema and Television – UK trade association representing independent creative content producers.

to £1.475 billion².

We want to ensure the continued health of the industry as a whole, and continued investment in UK content both by PSBs and by non-PSBs. Further, we are mindful of the need for stability and certainty in the sector, to avoid any potentially chilling effect on such investment in the medium to longer term.

We recognise the challenges that the report describes and are looking at ways of addressing a number of these issues. Specifically we are looking at how the discoverability and accessibility of PSB content can remain relevant in a converging environment. We will set out our views shortly.

We recognise the importance of ensuring that terrestrial television has sufficient spectrum to enable it to compete effectively with other platforms. It must also be incentivised to use that spectrum efficiently. We note Ofcom's report on Administered Incentive Pricing (AIP) and the assessment that, with the exception of Local TV, they expect to introduce AIP for the spectrum used by DTT.

Competition

The recommendations relating to competition in Chapter 6 and summarised in paragraphs 229-230 address two key themes: Ofcom's competition powers, and the BBC's economic impact. We have noted the recommendations, including those related to the BBC Charter.

A dynamic and competitive broadcasting industry is essential to boost growth, encourage innovation and improve consumer choice. We recognise that the current ex ante regime is not perfect, particularly in a converged world, and we are looking at how we can make it clearer – for the benefit of consumers and industry.

² UK Television Exports, annual survey 2011, TRP for Pact and UKTI <http://www.pact.co.uk/support/document-library/tv-exports-survey-2011/>