

SUMMARY OF THE CHAIR OF THE MEETING

OECD HIGH LEVEL MEETING

**THE INTERNET ECONOMY:
GENERATING INNOVATION AND GROWTH**

28-29 JUNE 2011, OECD CONFERENCE CENTRE, PARIS





Summary of the Chair of the Meeting

The OECD organised the High Level Meeting to explore how best to ensure continued growth and innovation in the Internet economy. Special attention was paid to the importance of promoting development of broadband, which is key to increasing the positive impacts that the Internet can have on society. The meeting followed-up to the OECD Ministerial Meeting on the Future of the Internet Economy that was held in Seoul, Korea in 2008 and the Declaration that was adopted at that time.

The meeting was chaired by Mr. Jørgen Abild ANDERSEN, Chair of the OECD's Committee for Information, Computer and Communications Policy and Director General of Denmark's National IT and Telecom Agency. Opening addresses were made by Mr. Angel GURRÍA, Secretary-General of the OECD, Mr. See Joong CHOI, Chairman of the Korea Communication Commission, Ms. Karen KORNBLUH, US Ambassador to the OECD, and Ms. Neelie KROES, Vice President of the European Commission.

The meeting brought together Ministers, senior government officials, industry leaders and representatives of the Internet technical community and civil society. In all, more than 400 participants from close to 40 Members and non-Members participated in the event, which was webcast. Background documentation for the meeting included an issues paper and a statistical compendium illustrating how the Internet is evolving.

A communiqué containing a set of principles to guide future policy-making was issued at the conclusion of the meeting. The principles were supported by OECD members and Egypt, the Business and Industry Advisory Committee to the OECD and the Internet Technical Advisory Committee to the OECD. In endorsing the principles, they urged that options other than regulation be used, where possible, to address issues. Such an approach, it was noted, has proven effective in facilitating development and innovation in the Internet. They encouraged the OECD to develop metrics that would enable parties to better evaluate the effects of the Internet on economies and society, and would facilitate comparable cross-country benchmarking for broadband.

The meeting focused on four topics: *i)* broadband access, *ii)* the role of broadband in innovation, economic growth and social development, *iii)* balancing policy goals to strengthen growth and *iv)* policy-making principles for an open Internet. During the discussion, reference was made on several occasions to the importance of adopting IPv6, which is a new protocol designed to be a successor to the current Internet protocol, IPv4, which has exhausted its pool of addresses. Adoption, which was strongly endorsed by participants in the meeting, is considered vital to support continued growth of the Internet and for sustaining open innovation and competition.

Broadband access

The discussion of broadband access focused on issues related to the availability of high-speed broadband in countries and its affordability. The Internet, it was noted, is integrating the world's businesses, governments, and individuals on a common platform upon which ideas are rapidly exchanged and innovation is spawned. Future economic growth in Members and non-Members will depend greatly on the ability to utilize high-speed Internet access to support breakthroughs in areas such as cloud computing and smart infrastructures. To fully reap the benefits of high-speed broadband, countries will have to develop and promote broadband Internet access and coverage at high speeds.



Many governments have adopted broadband plans emphasising the importance of national coverage for high-speed networks and services. Areas with low population densities, particularly rural and remote areas, have proven to be difficult to supply with affordable, high-bandwidth connections. The level of investment that would be required to address this has raised concerns on sustaining access and competition, and has in many cases necessitated direct government investment. The growing importance of wireless infrastructure, linked with the proliferation of mobile devices such as smart phones and tablet computers, wireless home appliances and smart vehicles, points to a future in which wireless broadband will be an important additional complementary mode of Internet access.

Key points included:

- Nation-wide broadband access, at high speeds, is a tremendous asset for OECD Members and non-Members. Governments and industry alike should consider which of the tools at their disposal could best be used to ensure that the economic and social benefits that broadband provides are fully realised.
- Competition is critical to developing broadband access and broadband services. While at times difficult to stimulate and preserve, a competitive environment for technologies and providers will ultimately be most beneficial for economic and social development.
- The availability of passive infrastructure (such as towers and cable ducts) is a key element in enabling the expansion of broadband infrastructure, particularly for new entrants; this will help ensure competition, thereby providing consumers with greater choice.
- While investment in broadband infrastructure should in general be market-driven, government investment can, in exceptional cases where sufficient coverage would not otherwise be delivered, be a useful tool to spur private investment, particularly in underserved areas. Public funds should in such cases be used in a way which does not distort competition or replace private investment. This can include reform to traditional universal service programmes to meet evolving policy objectives.
- In areas where there is insufficient choice for consumers, regulation may be beneficial. OECD countries are addressing this challenge by employing tools such as unbundling, shared use of infrastructure, functional and structural separation, as well as intermodal competition between integrated infrastructure and service suppliers. Stimulating new investment needs to be at the forefront, as does the promotion of competition.
- Increased use of high-speed wireless broadband technologies will help improve access to broadband, but this will only be achieved if appropriate and sufficient spectrum is made available and the prices and terms of use for wireless services are competitive with other technologies. Auctions are being widely used in OECD countries to promote the availability of spectrum.
- At the global level, the high premium charged for both voice and data services when users travel outside their home countries (*i.e.*, roaming charges) cannot be explained from technical or cost-oriented perspectives. Roaming prices need to be reduced significantly in order to realise wider societal and economic benefits.

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- Stakeholders, including regulatory authorities and service suppliers, should provide tools to enable greater transparency in the use of broadband. Information on broadband performance (e.g., speeds) needs to be available to all stakeholders for markets to function efficiently. Consumers need to be empowered with information on, for example, quality of service and the range of available choices.
 - An important step in making the expansion of broadband a policy priority is the development and adoption of appropriate metrics to benchmark key areas. This would include further development of a harmonised metrics checklist for improving broadband benchmarking. In this context, the United States Federal Communications Commission will hold a workshop in October 2011, jointly with the OECD, to explore the development of metrics that can be used to gauge, in addition to the level of broadband penetration, the economic and societal effects of broadband.
 - New communication technologies and services, including social networks, have recently played a critical role in disaster response and recovery efforts. Much could be learned and shared as a result of these experiences.
 - Policy makers need to adopt a “whole of government approach” in leveraging the new capabilities of broadband networks and stimulating demand and greater efficiencies in the delivery of services such as health, education and the use of public sector information for business and consumers. More effective policies are needed to deal with issues such as digital literacy and other barriers to broadband adoption.

Role of broadband in innovation, economic growth and social development

The discussion of the role of broadband focused on the contributions it could make to promoting innovation, economic growth and social development. Speakers noted that high-speed Internet connectivity can support the development of new markets, lower transaction costs, improve supply chain efficiencies and facilitate research. Events in early 2011 have shown that the Internet is an important tool for democracy, providing an effective means for people to push for social change.

Leveraging broadband technology in areas such as energy, health, education and e-government can result in significant economic and social gains. Economies can also achieve significant costs savings with cloud computing, where Internet provides access to storage, computing and other IT applications without having to maintain a costly IT infrastructure.

Key points included.

- Promoting digital inclusion is vital as the Internet becomes a core infrastructure in economies. In order for this to occur, Internet users will need to develop skills that enable them to understand and use new broadband applications and services.
- Broadband could provide a boost to tele-working, leading to the development of new working methods; increased tele-working could also be helpful in overcoming obstacles for persons who have limited mobility. This is an area where further research may be beneficial.
- Data suggest that there is a strong and growing relationship between Internet development and GDP; the relationship deserves more study. This would help policy makers to understand better the marginal effects of upgrading to high-speed broadband from basic access.

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- Public policies can play an important role in spurring demand for high-speed services. On the demand side governments can play a primary role, for example, in how broadband is used in the health, education, energy and transportation sectors. In the health sector, broadband has a large social and economic potential which governments have recognised. Promoting its development will require policy approaches that carefully address the need for innovative technologies and new business models; the substantial security and privacy protection that health data requires also need to be considered.
 - The benefits of using broadband will be enhanced when best practices are shared, both among countries and across sectors.
 - Small investments that are well placed can create new services and demand for Internet access. An example is applications that allow parents to monitor their children's activities.
 - Governments should work to ensure better access for public sector information. How to make data available in a non-discriminatory, transparent manner needs to be studied further.
 - Some countries require that a certain percentage of broadcast content be from a particular region or country. Rules may need to be re-examined taking into account, in particular, the rapidly evolving changes in video distribution markets.

Balancing policy goals to strengthen growth

The discussion of Internet policy goals examined how such goals would have to be balanced to achieve optimal outcomes. Speakers highlighted the importance of addressing the policy challenges associated with security, the protection of privacy and Internet freedoms and of intellectual property. Preserving the free flow of information online, in an environment that promotes trust and security, was seen as a key underlying objective. Security was not viewed as an end in itself, but rather as a means to enable the free flow of information and the related economic and social benefits. The discussion also highlighted that the Internet provides content creators with new modes of distribution, but also exposes them to greater risks that intellectual property rights will be violated. It was noted that the more intensive processing of personal data has provided Internet users with many benefits, but also raises important privacy issues. There was general agreement that policy challenges can no longer be treated effectively in isolation; a mutually reinforcing approach is needed.

Key points included:

- The collaborative, bottom-up processes that have characterised the development of the Internet remain key to its future and should be pursued in policy making through transparent, multi-stakeholder processes that build upon the expertise of all interested parties.
- It is important to maintain "one" Internet; fragmentation along, for example, national lines would undermine its future benefits. The freedom to connect has to be preserved. Adverse effects on intermediaries needs to be minimised, in part by focusing on ensuring accountability of the actors at the edges of the network.
- Intellectual property challenges require approaches that are tailored to different types of content, recognising that consumers want repeated access to some content (*e.g.*, music) while others types (*e.g.*, movies) are typically consumed one time only. A balanced approach that deters infringement and educates those who may not understand the illegality of their actions should be pursued.

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- Keeping market barriers to entry low remains an important objective; competition is essential for ensuring that new ideas have equal opportunities to gain market share.
 - The open character of the Internet can help to support its security. The simple and flexible design of protocols, for example, makes its performance predictable; the decentralised nature of its architecture enables redundancy and renders it more resistant to attacks.
 - Security measures improve the safety of the Internet to a large, but not total, extent. These measures should be thought of as tools for reducing risk, and be considered in the context of a broader risk management strategy. Collective identification of best practices, information sharing about vulnerabilities, additional research and international co-operation remain essential.
 - Policies should be carefully crafted to avoid impinging on the freedom of expression, assembly and association online.
 - The centrality of the Internet to every aspect of life demands that policy makers place the highest priority on ensuring trust and security online, while taking adequate measure to protect users.

Policy making principles for an open Internet

The principles contained in the communiqué were discussed and widely endorsed by participants in the meeting. The principles, it was noted, are designed to help preserve the fundamental openness of the Internet and the free flow of information, while ensuring that privacy, children and intellectual property are adequately protected. Addressing security challenges and finding ways to enhance trust in the Internet are also key objectives. The principles were not seen as an attempt to harmonise global law, but rather to provide a common framework for companies and governments as they consider new initiatives with respect to access to information, its distribution, portability and the use of platforms and networks.

Participants urged OECD governments and all other interested parties to adhere to the principles when formulating domestic policy. In doing so, they urged that efforts be made to actively promote the principles and share policy experiences with non-members. With a view towards enhancing their impact, they encouraged the OECD's Committee for Information, Computer and Communications Policy to transform the principles into a proposal for an OECD Council Recommendation to be submitted to Council in the course of 2011.

In developing and implementing policies, they agreed on the fundamental importance of maintaining an open, dynamic Internet and the need for maintaining a strong and meaningful multi-stakeholder environment. While regulation would be required, it was generally agreed that other options should be explored first, in light of the difficult challenges regulators face in responding effectively to the rapid evolution of the Internet and the adverse effects that outdated regulation could have on Internet-related innovation and growth.

Finally, there was agreement that the OECD is well positioned to continue to lead informed debate on issues related to the Internet economy. In this context, proposals were made for the Organisation to create a forum to devise ways to best ensure net neutrality at a global level and to organise a High Level Meeting on security issues. Interest was also expressed in further research on the impact of the Internet on social development.