European Commission: Convergence of telecommunication and audiovisual media in the information society - public policy issues

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Britta Niere
European Audiovisual Observatory

In its report dated 1 September 1996, the management consultancy KPMG presented the key findings of a study carried out under contract on behalf of the European Commission. The purpose of the study was to look into ways of achieving the European information society in practice.

KPMG believes it is necessary to define a regulatory vision that supports market-led developments, and highlights key steps in the transition towards the information society. Starting points and targets are set out in five chapters. 1.

Realising the information society.

According to KPMG, an important consequence of convergence is the transition from a situation of scarcity in the delivery of services to one of abundance, although the speed of the "information revolution" in the various sectors of society remains uncertain. Even industrial convergence is unclear and may not happen in a predictable manner. 2.

Challenges to current policy.

Until now, broadcasting and telecommunications policies in Europe have developed along different paths. However, neither the various types of regulations covering broadcasting - which is usually closely controlled by the State - nor those covering the field of telecommunications can be applied unmodified to the new services; on the whole they are still too inflexible. 3.

Guidelines for new regulation . Once it is clear as to the reason why regulation is needed, it can then be defined for each regulatory objective the method by which it will be achieved. Policy must take three things into consideration: it must address a single problem and focus on it, thereby limiting the secondary economic effects, and minimise enforcement costs.

Regulation supporting convergence 4. . According to KPMG's analysis, the regulatory framework should concentrate on the following areas: exclusive rights to content, interoperability and interconnection, pluralism, copyright protection, consumer protection (freedom of opinion, data protection, fraud, etc), conditional

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access and industrial and trade policies. 5.

Realising change.

According to the report, transitional regulations should be based on the new regulatory model from the outset, taking into account the different starting points within Member States.

Recommendations for the target regulatory framework and for the transitional phase.

KPMG believes that the current uncertainties facing users and suppliers must be resolved as quickly as possible by transparent transitional solutions, so that innovation is no longer stifled, while smooth convergence of the various sectors is promoted. The issue of exclusive transmission rights must be addressed quickly, before any long-term deals are made. Consumer protection provisions (data protection, criminal penalties) must be coordinated internationally to address crossborder concerns, aiming at the content owner or generator rather than the content provider. In the long term, KPMG recommends minimising legislative intervention, creating a system of regulation based on competition policy, which should then be applied to all new services from the outset. The information society should rely on market self-regulation, maintaining government neutrality in respect of the various technologies, introducing class instead of individual licences, and even allowing vertical integration; independent authorities should in all cases be set up for matters of public interest and economic method. Observation of market shares and programme content is also recommended, while quotas (to protect domestic industries or cultural traditions) are discouraged. With its recommendations drawn from the study, KPMG's aim is to stimulate debate and initiate a broad consultative process among interested parties.

Public Policy Issues Arising from Telecommunications and Audiovisual Convergence. Summary report of KPMG, dated 1 September 1996.

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