OECD-Canada Technology Foresight Forum
Session 1
The future of the Participative web: Convergence and Diversity?

Ottawa, ON

--- Upon commencing on Wednesday, October 3, 2007 at 9:25 a.m.

MR. OXLEY: As part of the participative Web, we are being participative. We have Kieren off to the right there who is doing some live blogging. So as you are involved, speakers, with your questions, you may see Kieren's hand go up because he is representing quite a large force: the OECD blogosphere. As well, we are live streaming this and we are recording it in the back end, and there is simultaneous translation in the back.

I want you to remember this is the participative Web. Everybody should participate. How do we balance the remarkable opportunity with the possibility in governance as it grows?

So without further ado, I think it's a great time. And a wonderful person to kick off this conversation for the first session, "The Future of the Participative Web: Convergence and Diversity", I want to introduce John Lettice.

Come on up, John, and bring your

panel up.

--- Applause

MR. OXLEY: John is a pioneer in this area and this is rather exciting for me because I get a chance to introduce somebody who is a pioneer.

John, it's wonderful to meet you.

The founder, co-founder and editorial director of The Register.

MR. LETTICE: Good morning, ladies and gentlemen. I'm John Lettice of The Register, as you have just heard.

In my opinion, we've got a balanced and varied panel to present to you today.

We've got Jonathan Taplin of the University of California; Cyrus Beagley from McKinsey; Ginsu Yoon from Second Life; and Michael Gill from Fairfax Business Media.

We'll just kick off with Jonathan.

MR. TAPLIN: Thanks very much.

I'm going to try and give you a sense of what the infrastructure needs will be for this new Web.

Obviously one of the places that I come from is the sense that we are living in a converged IP world and it's going to be very video intensive. I was on Second Life last week and people were putting up little pieces of video inside Second Life to show that they had done its mash-ups and stuff like that. So everywhere you look it's going to be intensive.

I come from a point of view where voice data and video are all converged in a seamless operation across all three transport media; that everything will be broadband everywhere. That will mean an increased need for very flexibility of deploying services.

Microsoft takes eight years to deploy a new version of Windows and Google puts something out in beta in three months and sees what the customers like and what they don't like and doesn't worry if it's not baked perfectly. The feedback will help them learn that.

So this rapid content and authoring and enablement is really critical, and service providers have got to get on the board of this and stop worrying about five-nines, having everything perfect before it gets put into the field.

Most importantly I think we are going to live in a world of increased personalization, and that means that I'm interested in the Los Angeles Lakers basketball game, videos, and I'm not interested in the New York Nicks. So I want the full game on demand on my TV. I want a 20-minute highlight reel on my broadband PC, and I want the slam dunks, two minutes of that, on my mobile phone.

So that means I'm going to move from a device-centric world to a subscriber-centric world. The providers are going to need to give me content on all three of these platforms whenever I want it and I want to have access to that content. And that means I move from a location-dependent world to a location-independent world, all right?

Now, in terms of the way most people access the web we have to still remember that this is a mobile world. And the number of mobile phones, that is the dark blue, compared to the number of people who are on PC’s or accessing internet cafes or have broadband is really rather remarkable. And so let’s remember that many people, especially in Asia and Africa, their only access to the web is on a mobile device.

Now, what is Web 2.0? I’m trying to give you some kind of crazy highlights of this. But really what it is is a set of services and a set of interfaces that are completely interactive, that it’s blogs, wiki’s, voiceover IP, podcasting, filtering, social networks, collaborations, social bookmarking and that there’s a set of tools, SOAP, ROS and all these pieces are allowing you to move content back and forth. But most of all it is a two-way world. And that’s the critical thing to think about.

Now, some countries and these are obviously OECD statistics, some countries are way ahead of other countries. And as you can see, the average download speed in Japan and Korea on the far left are there and everybody else looks like pikers in comparison. And when we become a video world we’re all going to have to get our infrastructure up to that speed.

The bottom chart is the adoption of fibre directly to the home in Japan and again, almost no country is taking this leap. And the U.S. has fallen to 16th in broadband diffusion from 12th in the last year. And so many countries are making investments at the, you know, governmental level to make sure that this happens.

Now, the most important thing is to see what’s happening with the consumer in terms of adopting these Web 2.0 services. So, the top chart on the far left is YouTube page views in the last year, the next chart, “Massive Multi-player Game Subscriptions”. The next chart on the bottom left is the number of blogs in the world. And the chart on the bottom right is the growth of social networks compared to Yahoo and Google.

You can see a kind of similar curve on all of these things. In other words the great growth in what’s happening on the web is all in this Web 2.0 world. It’s all in things which are two-way, which are interactive and are massively needing of large pipes in order to make them successful.

Finally, I want you to think about video on the web. This is the statistics from last -- well, the month of August. So, the total number of videos viewed was 9 billion, 76 million -- 24 billion minutes. YouTube alone had 2.3 billion views, individual videos viewed. Yahoo, MySpace are in the, you know, 300 to 200 million videos viewed and this is for one month. Now, this is growing about 2 to 3 percent a month.

I'll just give you a little statistic. Last month in the U.S., a young man in a college forum where John Kerry was speaking, started objecting. And he basically -- the police overreacted and tasered him. And this was put up on the web as a YouTube video. That individual video got 9 million hits in one week.

Now, an average large cable TV audience in U.S. is 800,000 people. So this got more than 10 times as many views as was the best CNN show of the week. So, this is not small potatoes. This is big.

Now, I will only leave you with one last thought. Ultimately one of the questions that this whole body of countries is going to have to think about is how providers who own content are going to get paid in an internet age. And I think one of the things we have to look at is the example of the music business.

In the music business people -- as some of you know, I started out working for Bob Dylan many years ago -– the people who are songwriters get paid very well because in the restaurant we sat at last night they were playing music and they pay a license, just a flat use fee every month for the privilege to play music. And so songwriters get paid.

The people who are drummers in like the band, the great Canadian group that I worked for that backed Bob Dylan are quite poor today. The songwriters are very rich. Whereas the music business is going down as a record business, the publishing business is going up.

One of the things I suggest we have to think about is a fee that gets assessed for copyrighted material at the ISP level of $3.00 a month, say, for every broadband subscriber, and that's charged at China Netcom and it's charged at Bell Canada. And it's put into a pool and somebody figures out how to divvy it up.

It's worked brilliantly in the music business. And unless we figure this out, content owners are not going to be able to figure out a way to get paid for content.

So, that's a quick view of the overview of the infrastructure. And I'll turn it back to John.

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MR. OXLEY: I thought I'd just try this. Yeah, that's working -- saves me hopping up and down every time.

Next on we have Cyrus Beagley from McKinsey.

MR. BEAGLEY: Thank you very much. I'll try and keep my remarks brief.

What I was asked to do was to -- I've been asked to basically provide a bit of a financial perspective on the participative web and including venture capital activities and so on and so forth.

So, to do this what I thought I would do is do basically two things. One is let me start by providing a quick description of the level of business activity around Web 2.0 and also provide a perspective as to how the situation today is quite different from the situation in '99-2000, the last internet boom.

And then let me just highlight what I think are some of the few important questions or uncertainties out there in terms of the Web 2.0 from a business and financial perspective and hopefully that will be helpful in forming some of our discussion today.

So, let's start off with just a quick description of the level of business activity around Web 2.0 which frankly has increased very significantly over the last few years. And there are several indicators of this increased activity.

The first one is venture capital activity. If you turn to the first slide you'll see that over the past three years the level of venture capital funding of Web 2.0 businesses has increased dramatically. It’s reached nearly $900 million in 2006, nearly double the amount of funding and double the number of deals from a year prior.

If you look in 2007, it looks like the activity is somewhat sort of slowing down or the growth is flattening and anecdotal evidence suggests that actually some of the investments have slowed down even further over the last few months.

A second metric I think for increased activity is the level of MNA activity. And frankly to date the number of exits from these venture capital investments have actually been relatively few. However, there are some signs of increased activity. Everybody will know, for example, the two major acquisitions that have happened in this space: the acquisition of MySpace and the acquisition of YouTube.

But beyond these acquisitions there have been several other significant transactions in recent months. For example, in May of this year, CBS purchased Last.fm, a social and music recommendations site and just last month Disney acquired Club Penguin, a virtual world focused on kids for about $350 million and there are regular announcements in the press. So, some increased activity there as well.

But beyond these VC and MNA activities, I think the participative web is really having a very broad affect on established businesses as well. Among the mediant and entertainment companies that I serve at, McKinsey, for example, I think it's fair to say that participative media has really become a top-of-mind strategic issue for nearly all the players in the industry.

If you look at the following slide, this will give you a sense of the importance of this participative media phenomenon. This looks at the top 100 brands online. You can see that the share of community sites, like MySpace, uTube and Facebook, now represents about a third of total page use online.

And so you can imagine that for a media company this is a pretty significant change and a pretty major issue that you need to deal with.

While Web 2.0 may not raise the same level of threat and opportunity for non-media businesses, the participative web is also an important issue for the majority of established businesses.

According to a recent McKinsey survey of nearly 3,000 global business executives, 75 percent of companies say they will maintain or increase their investments in Web 2.0 over the next three years.

If you look at the next slide, this lists some of the areas that these executives said they would be investing in in the future. The interesting thing is that they are not necessarily relying on the best known trends or Web 2.0, such as blogs, for example, instead they are placing the greatest importance on technologies that enable automation, networking, both internally and with their customers, and collective intelligence tools.

So given this level of heightened activity, one question that regularly comes up is, you know, is there a risk of over-investment? Are we returning to another Internet bubble?

I think the quick answer is, you know, it's hard to make any blanket statements and there are a number of reasons why the situation today is actually quite different from what it was in 1999-2000.

For one, the existence of advertising networks, like Google AdSense, for example, have enabled many of these emerging online offerings to more quickly monetize their audience and traffic than they could have in the past.

Venture capital metrics are also relatively conservative. VentureOne indicates, for example, that the median pre-money valuation for Web 2.0 companies in 2006 was about $6 million, which is about a third of average pre-money valuation reported for venture-backed companies in the U.S.

Finally, as mentioned earlier, the number of exits has actually been relatively limited to date. In particular, in stark contrast to what happened in 1999-2000, the number of IPOs has been very limited. So the phenomenon has largely been contained to the venture capital world, with limited spillover into the public sphere.

This gives a little bit of a perspective of the level of activity and how things are different today compared to a few years ago. What I wanted to just do, I will leave you with just a series of questions around the business model dynamics of the participative web.

Let me highlight four main questions, and I'm sure we will discuss them in more detail during the Q and A session.

I think the first major question is to what extent Web 2.0 properties will manage to successfully grow their advertising revenues.

As I mentioned earlier, ad networks are enabling the monetizing of these properties much faster, but the level of monetization remains very low still and many of the large participative web companies are still only generating relatively modest revenues. So I think that's one question.

All in all, given the work that we have done, I think we are relatively optimistic that these companies will actually generate significant advertising revenues in the next few years. We basically project about $5 billion in advertising revenues by 2012 in the U.S. for these kind of companies.

I think a second major question, from our perspective, is how well consumer-facing Web 2.0 sites will be monetized beyond advertising.

Our sense is there's tremendous additional value to be unlocked in other areas of marketing, for example product development. The profiles and conversations on these sites offer potentially unprecedented wealth of information for marketers.

If you imagine, for example, you are developing a sports shoe or you are a sports shoe manufacturer, if you could find a way of leveraging the conversations on these sites to decide a little bit better and get better information about consumer needs and consumer desires to decide which shoe you actually want to launch, you could save hundreds of millions of dollars in product development and marketing costs.

The general sense there is that marketers today are still very much experimenting in this field and that participative media sites are only at the early stages of building offerings that can enable them to actually capture that value.

I think a third question, and I'm sure Jonathan talked about it a little bit, and I'm sure Michael will talk about it, as well, is the question of protecting the rights of traditional content creators. I'm sure we will discuss that in a little bit more depth later.

And then, finally, the last question I will leave you with is really from a product offerings' perspective, which is, you know, what's next?

To date, most of the Web 2.0 activity has really involved PC-based online offerings. I think one of the questions is: what is the next platform?

To Jonathan's point, there's been a lot of activity recently in the mobile space. On another hand, companies like SecondLife are creating completely new participatory media experiences online.

A recent MIT technology review article, for example, discussed the potential of services like SecondLife to merge with more traditional online offerings, like mapping or local search, which may not be what SecondLife wants to do, but there, again, it's not hard to imagine the potential for a whole new wave of innovation and new product and service offerings.

So those are just four questions. I'm sure there are many others, but, hopefully, this is helpful in sort of kicking off this conversation.

Thank you very much.

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THE CHAIRPERSON: Our third panellist is Gin Yoon, from SecondLife.

MR. YOON: I have to apologize in advance. I seem to have developed a tremendous cough on the plane, so if that disrupts my talk here, bear with me, please.

So for those of you who don't know about SecondLife, a quick description is that it is a 3-D virtual world, it is an online computed space where people can interact. There are a number of different kinds of these virtual worlds in the industry now. Many of them are quite game-like. Ours, we feel, is more communications and creation oriented.

I think that we have tried to make a differentiation in having highly detailed, user-created content. Everything you see in this screen shot, for example, was made by users of SecondLife.

Our company, Linden Lab, well, we hardly have to do anything at all, really. We just make the land you see there, the sky.

Everything else was made by the users: the chairs, the podium, there's some rockets there in the background. People create whatever they like, for whatever kind of experience they like.

Both Michael and Susanne talked about the last decade or so in the evolution of the Internet and that's very much how we see our mission: to understand the last 10 years so that we can understand what's going on in the next 10 years.

This Web 2.0 stuff that people talk about today, I'm really not sure what all of it means, to tell you the truth, but what we do see is a number of trends, in terms of persistent interaction, always being online, multiple media streams.

People have gone from email, message boards, instant messaging, Voice over IP, blogs. Those things don't replace each other, they all layer on top of each other, so that people are constantly in communication in a number of different ways at the same time. Of course, more recently, we have seen the emphasis on participatory media, which we think of as user-created content.

The area that, I guess, as graphics technologists we have emphasized is the immersiveness of the interaction. Maybe it's not easy to see how immersive the web experience has become over the last decade or so, but if you recall back to early websites that were just purely text-based and you think about today, how you are seeing not just text, but, of course, video and graphics, voice over the Internet, it's become this immersive environment, which, we believe, just scratches the surface.

When we think about what's going to happen over the next 10 years, we ask ourselves: is it going to be less immersive than it is today? It seems pretty unlikely. It seems like it's going to get more and more immersive.

And when you talk about these sort of science fiction fantasies of the Matrix or the Metaverse, they really don't seem that fantastic. If you think about it hard enough, if you are not afraid to think about it hard enough, it seems inevitable.

So we figured we might as well try to do everything at once, since there is an opportunity here to create a platform that is immersive, graphically immersive, persistent, multiplexed, user-created. As long as you are going to try to start a company in this extremely confusing Web 2.0...
There is an opportunity here to create a platform that is immersive, graphically immersive, persistent, multiplexed, user-created.

As long as you're going to try to start a company in this extremely confusing web 2.0 environment, you might as well try to do everything at once, and connect it to everything.

SecondLife is not an enclosed world, it is really inter-connected with the web. People stream video, people text in and out, e-mail in and out, have voice communications. It's something that we think is part of what's going on on the Internet, rather than a separate experience.

A lot of people ask what kind of

strange folks actually use SecondLife. It is definitely, I think, still an early adopter experience. People talk about the ten million or so registered users in SecondLife. The million and a half or so who have logged on in the last sixty days and they talk about these as big numbers.

Well, if, again, you think about this in the context of where this kind of communication is going, and you think about the billion Internet users today, it’s just scratching the surface. But even in the early users, the demographic is much different than people expect. It’s actually quite similar to Internet usage today, an average of thirty-two, significantly higher female usage than people expect, and our product is actually much more used in Europe than it is in North America, and we’re just starting to see Asian and Latin American users coming on-line, too.

This, despite the fact that we’ve really done very little to market to any areas outside of North America, but it seems that we can't keep people from trying to go into this participatory experience.

One aspect that people like to examine and talk about, and study quite a lot, I just thought I'd touch upon here, is our virtual economy.

We have a feature of SecondLife called the Linden dollar. It's basically a unit of trade that people use as a medium of exchange to buy and sell virtual objects in SecondLife, objects, services, any type of things that they can create within the world. They purchase Linden dollars from us, from other users. They use them to buy things. And, of course, the creators who take in Linden dollars then are able to cash out their Linden dollars by selling them to other users.

Again, it seems like an odd little cottage industry but today it's a cottage industry that's generating approximately a million dollars, a million US dollars per day in economic activity in SecondLife, and at this rate of growth that we're seeing now we think it's quite an interesting economic phenomenon to watch.

Thanks very much.

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MR. LETTICE: Our final speaker is Michael Gill of Fairfax Business Media.

MR. GILL: Thank you. Thanks, John.

I'm very conscious as the print guy here that I shouldn't sound like Yossarian in "Catch 22", so I'm going to start with something which I think is a proposition which perhaps attempts to look, at least from the perspective that I experience most days, where things might be headed.

As a concept, I think the way I'm looking at it is that we're presently in a very early stage, as the other speakers have indicated, and we talk about 2.0 or whatever, but it seems to me that, putting the technology aside, there's an issue about, or a fact about the way that people behave that seems to me to be obvious right now in that we have a ubiquitous experience on the web which tends naturally to bring consolidation to a lot of markets to aggregate things and to typically, from the user point of view, to create anonymous experiences and a commoditized value. Certainly in places where information was the key, if you like, the monopoly value in some transactional behaviours or which dominated the nature of the transaction, those of us who, for example, have classified's in newspapers, or who were retail stockbrokers are finding life very difficult.

The situation even where monopolies existed for the supply of any sort of commodity could, obviously, have changed.

But it seems to me, the obvious thing about it is that it an anonymous and a ubiquitous and a commoditized experience and that's the early stage of where we are, because all these markets inevitably fragment as human behaviour fragments.

It seems to me, in the web environment is a bad identity, and people, you know, if you think of your own experiences, the value is often most created to you, or most identified to a person when you're familiar with the identity of the transaction. You don't trust transactions that don't have an identity. People buy things on th web that they know. They don't buy things on the web that they don't know.

I think if you look at where the confusions are, and we're all confused at the moment, particularly in media, about where value is created, marketers are looking increasingly at places where the fragmentation has value, and I think one way to think about the future is that we will have a ubiquitous, anonymous web world where there's -- you know, everyone is doing things in common for free. And we'll have a whole lot of different behaviours and experiences where value is created through individuals. I mean, it is already true on the web that many, many organizations have highly valuable businesses where the information is the value and it is transacted on the web.

I think it is a falsehood to say, for example in the newspaper business, that the only people who are making money have got free websites; that’s not the case. And, in many other instances there is plenty of value being created. But I guess the point I’m getting to is that there’s a lot of businesses who have very substantial applications built behind firewalls who are spreading those applications already to many, many customers, but when the Bandwidth is there, they will expand those transactions very dramatically. And I think we’ve yet to see what will happen.

We’ve already seen, for example, the number of business models that have been challenged by what’s happened already: the classified advertising market in newspapers, the retail stockbroker I mentioned, the telephone company -- there are a great many of them and it’s obviously happening to many, many providers at local levels. But, I think the immaturity of that is, you can say, when you think about the sort of debate that goes on around the Wall Street Journal, for example, where we’ve got a fantastic organization of huge value offering information to market where the alternative supplier is probably one which has moved their whole business from newspapers to subscription-based services, and that's the Canadian company Thompson.

I look also at what our audiences are saying about what they want from web, and it seems to me it's much more like a sort of Facebook type experience where they can qualify their relationship with people, than it is about a mouse-base experience. And that's not value either of them. I just would say that particularly in a business type audience they do want to have a qualified experience. They do want to be able to trust the face-to-face because they really don't see any other, I think, opportunity to create value by mutual experience if they can't qualify it.

I think there is no doubt that everything our audiences are telling us is they want interaction. They really want to have all the opportunities that we can bring to bear where we can provide them with a qualified information environment and their capacity to do what they want with it, both for themselves and with other people.

I guess the challenge that we can see going forward is that those of us in, say, the media business, and particularly in the news business, who might have been kidding ourselves about the value we create for people, whether or not, you know, I guess in the end the value of the news that we present is unique, or whether in fact it is a commodity and we have been extracting value from the community in a way that’s not sustainable. Those businesses are the ones that are vulnerable to the ubiquitous and free environment, I think, of the web.

I think there will be, and it may not be the incumbents, but there will be very significant new businesses that take advantage of what the sort of control, and qualification and quality opportunities that audiences want from particularly news organizations in the new environment. But I don’t think that today the technology is in place, nor is, I guess, the models are in place that make those things obvious.

Thank you.

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MR. LETTUCE: Okay. We’ve kept presentations brief with a view to getting some interaction going, and we’ve got a healthy period left where we can do question and answer.

If people would care to make themselves known and -- are there roving mic’s, or anything?

UNIDENTIFIED SPEAKER: There’s stands --

UNIDENTIFIED SPEAKER: Just at the back there you will see on the right-hand side and the lefthand side there’s microphones up, so if you have any questions, please make your way to the microphones on the side. And we’ll get started.

MR. OXLEY: It would be helpful if you could state your name and organization and if there is a particular speaker you wish to direct the question at, please say. And also bear with me, I am rather short sighted so people at the back pop up and down please.

MR. LETTICE: Maybe I will take the first question.

MR. OXLEY: Yes, sure.

MR. LETTICE: The conversation actually linked in really well with Michael’s conversation and Susanne’s as well. So the world is getting bigger from a government perspective, smaller from an individual perspective, there is a lot of technology being invested into connector types of technology and the monetary world is starting to come up and from a second life perspective as newer opportunities.

And we have seen where the future is going now. And I loved your perspective about the matrix could almost be there, because the possibilities are endless right now. Yet being a government in this world, looking at these endless possibilities, what are some key things and I would just ask the panel to cross there, do you see as challenges when you are trying to look at governing in this fast-paced environment? Like you mentioned, Jonathan, Google throws something up there in a short period of time and I don’t know what it is, but I have policies and backing that link from patent to copyright to intellectual property. So what challenges do you see?

MR. TAPLIN: I see two challenges. One of which is becoming a real issue in the Unites States right now, which is what we call network neutrality. In some countries, unfortunately the U.S. being one of them, we are basically dealing with a broadband duopoly where there is a choice of two providers, if you are lucky, to get broadband to the home.

Last week a women's rights organization called NARAL asked Verizon for a short code in order to communicate with members who would actually ask for information on women's right to choose to be able to talk to their congressman. And they were refused by Verizon to have access to the SMS system because they said it was political.

It seems to me, if we are going to live in a telecom duopoly then the old notion of common carrier that used to carry across the Unites States' system is going to have to be, in some way, put into this system in the sense that providers cannot deny access to the web or to the mobile services for political reasons. That is the first question.

The second question is, the one that I raised, is the notion from many big content owners that digital rights management will somehow secure their content forever and that their content will exist in this perfect digital cocoon that cannot be broken so they will get paid for their content is, I think, a fantasy.

And so, therefore, what I am hoping is that some kind of collective licensing agreement can be done so that the owners of content and the artists that created it will get paid. Because to believe that there is some wonderful scheme that a hacker in Finland or Russia is not going to break within 24 hours of its release is, I think, an illusion.

MR. YOON: I think that one of the great things about the environment, the digital environment we are seeing today, is all of the rapid iteration that is going on in creation and business models. And I think that the speed of change in these things is something that a quite often makes people a little bit disconcerted, individual consumers, large businesses, governmental bodies considering regulation, all of us look at this speed of change and get sometimes a little bit frightened by it.

But I think that it is a great opportunity that we see here in the rapid iteration of business models. And of course, being from the U.S. and working in an entrepreneurial company I have maybe a little bit of a naïve faith in some free market forces. But I do take the perspective that it is just as dangerous, if not more dangerous, for any of us, businesses or governments, to assume that we know what the proper business models are for the future, that we can impose any kind of collective licensing schemes and taxes that harden any particular business model of the past.

So I guess what I think that this participative media has given us all is the opportunity to observe little laboratories of experience and we should look at the results first before we make assumptions about what needs to be controlled.

MR. BEAGLEY: Yes, I think there is potentially two major themes; one is organization. So what kind of rules need to be put in place, you know, to Jonathan's point, to enable the protection of the rights of say content owners and the degree to which you do that and the different systems that you could put in place will obviously impact the way the participative web unfolds.

And then I think there is just a question of access as well. As you think through, you know, beyond, though the largest countries are presented here, how do you ensure that populations do have access to these new technologies and can actually participate in this whole new wave of innovation and contribute to making it an even bigger phenomenon.

MR. GILL: I guess in ways I am on the fantasy end of the discussion. I think that we are looking to try to find ways in a very rapidly changing environment where I think there is a serious risk that people managing what are I think to some extent social institutions in many countries, which is the actual quality news gathering roles, are at risk because short-term decisions may be taken on data or business behaviours that aren't long-term attributes.

And I guess the one that I think of most is that if you look at the way that advertising is priced typically, and it is not typical as broad generalization, but typically the pricing tends to price eyeballs evenly. It tends to say that if you are looking at the New York Times, those eyeballs, roughly speaking, are worth the same as the eyeballs looking at a blog in Oklahoma. And what that says about the model is that there is no point in investing in the news gathering that that organization invests because there is no possibility of return.

Now, I don't believe that that pricing can persist. In fact, I am confident that the markets will and are in fact moving towards the fragmentation and looking for value in, if you like, niches. But that is not represented in typical pricing today. And if business that are and I think particularly those of them that are the key qualifying agents of value and quality in those markets that are I think impactful socially, if they lose the ability to sustain themselves I am not confident that anything will come up that replaces them. Because the current signals are emphasized that the very current in this market may not apply tomorrow. The current signals tell you that that you are better off putting up porn sites because you get the same eyeballs, you get more of them and it is cheaper.

So, you know, if people were absolutely rational, which hopefully they are not, that is the sort of short-term outcome that you would get from the current market behaviour and I think we are seeing some of that.

That said, I also am one of the first to admit that there are a lot of the people who have been swimming nude have seen the tide go out and I think there are issues around equality that are being diminished very quickly and those business models aren’t going where they should and there are good ones growing up. But I do think that, you know, there is a sensitivity in my mind about some of the short-term models.

MR. TAPLIN: I would just like to say that I think, Michael, your concern about the relative value of different people watching is changing rapidly. And as we get more demographic information on the users and more behavioural targeting, certainly pricing will change rather rapidly and certainly some people are pushing that change already.

MR. OXLEY: Okay. I think we have got two people at the moment. There was a gentleman on the left and, next, one on the right.

MR. HENNESSY: Michael Hennessey with TELUS. We are carrier. We are in all three of the verticals that Jonathan referred to.

One of the things that we struggle with and that, you know, has become part of the network neutrality debate is how do we close the broadband gap in terms of investment, because obviously as we move to an immersive world and a video-based world there's going to be substantially more consumption of video.

If you try to recover all the costs of that investment from users by moving to a much more consumption-based pricing I think you probably undermine a lot of the content models that you have. And, as has been debated a lot, the idea of actually then turning around and trying to apply charges to application providers sort of runs totally contrary, I think, to the whole idea of Web 2.0.

So somewhere in between I think there has to be a model of cost recovery that both makes sense so the investment is made to support the immersive interactive world without ending up with some of those kind of concerns about discrimination or having a few Hollywood studios ultimately being the only ones that can afford to deliver content

MR. TAPLIN: My read is that (a) you, if you are willing to ask your customer's permission for it, already have the critical demographic data that Michael would like to have.

In other words, if you know that you have a customer who is on a mobile, has broadband and has a TV service from you, and you know their age, their sex and their postal code, that is such critical data that my sense is that the history of entertainment for certain has been ad supported and that advertising and advertisers will flow to this world very fast.

Needless to say, we all know that interactive advertising is growing about 32 per cent a year, TV spot advertising is growing at about 2 per cent a year, and so it would seem to me that already the consumer advertisers know that it would be much more important to have access to your customer data on an "opt-in" basis

And I understand everybody has all sorts of privacy questions about this, but if you actually collected that data it would give you the kind of partnership ability that the Disney's of the world are really looking for.

So I think there is a way to monetize this that's not -- I would ask Cyrus whether he has any other thoughts on that.

MR. BEAGLEY: No. I think whether you can find other ways of subsidizing the investments and getting to a point where consumers are actually pulling for the service, so developing services that are high-bandwidth services that consumers are going to be willing to pay for because they become so attractive.

But I think your solution is an interesting compromise between getting consumers to pay for everything.

MR. YOON: I have to say that even a free-market advocate like myself can see that there has been tremendous value in government investment in infrastructure.

You saw the bar graph for Japan and Korea. It was certainly the case in Korea and, to some extent, to a lesser extent, but still in Japan as well. Those two countries that had a tremendous amount of broadband usage were the ones where there was a tremendous amount of governmental investment in the infrastructure.

It might not work for every country of course. Each of those populations was fairly dense. There was perhaps a fortunate correct choice in the proper infrastructure for the country.

In the United States I think consumers who are looking at the issues are maybe a little bit cynical about this working out, given that there have in the past been a tremendous amount of taxes that were supposed to be put towards developing new broadband infrastructure by the oligopoly of telecom providers and none of that infrastructure actually got built out.

So I think from a policy perspective, you know, if you feel that you can make the right technology choices for your particular sort of country geography, and are able in that economic and business climate to get the infrastructure providers to build the right solutions, gosh, if all those things fall into place then I think government investment is a great way to go.

This is a great question for the network neutrality debate though. Even though I should want, I think, to maybe see government enforcement of network neutrality, I think that it's certainly the case again that experimentation in business models is good and perhaps there are metered bandwidth-type business models that are going to support that infrastructure investment.

MR. GILL: On that point, I think it's interesting that the two nations that we see as very corporatist took that decision to break through the sort of incumbency issues with their telephone companies. It seems to me what that tells you is there is that common interest, I think, on the private sector side to have these things happen regardless of the disruption around the infrastructure providers.

What I would say, on a point I tried to make earlier which is that there are a lot of large-scale businesses that have large-scale implications built inside their firewalls, some of whom know perfectly well that they need to change their distribution models. Typical ones would be people like banks.

I believe that those people would be very, very quick to finance, if you like, the distribution of things like entertainment and other sorts of information services to actually create their branding for distribution in a new environment, but that they can't do it now for all the reasons that we have discussed.

MR. LETTICE: We have gentlemen on the -- well, I think the gentleman has been standing there for awhile.

You are next, okay, and then you.

QUESTION: My name is Wolfgang Blau. I am an independent journalist working in Germany and the United States and I have two questions that relate to the same topic of democracy.

The first question is to Ginsu Yoon of Second Life.

I'm very intrigued with Second Life and I'm trying to figure out what this thing actually is. It's not a media platform, it's something that behaves more like a civic space, which has been recognized also for instance by French presidential candidate Ségolène Royal and also more of the American presidential candidates.

The more that Second Life becomes a civic space for public deliberation, I wonder if you are discussing within your company about turning Second Life into a more democratic platform. Because right now you could argue that Second Life is something like a benevolent dictatorship where even though you have a currency, you have a lot of civic interaction, there is no representation of your users.

That's not meant as a critique, it's really an honest question.

Are you discussing this issue internally?

Secondary, I'm seeing more and more how Google is the primary access point for citizens, especially in the U.S., to find out more about candidates, which gives Google of course enormous potential power of abuse. I underline "potential power of abuse".

I put that into comparison to, for instance, how tightly regulated a local radio station is in, for instance, Europe, that has to observe all different kinds of rules, how many cultural news, how many political news to broadcast every hour.

Looking at how enormously regulated these tiny media platforms are and how there is not a lot of regulation around Google, I wonder what all of you panellists think about the deed for governments to think about ways to have some kind of oversight or citizen representation on both of these large search engines?

Thank you.

MR. YOON: So I guess I will do the question on democracy and Second Life first.

First, I would note that people's perspective on Second Life will very much vary by their intended use. It is potentially a media platform if what you are thinking of doing for example is to take your pre-existing media and try to make a business model out of it in Second Life.

I don't want to digress too much but, for example, where in the current music industry it's very difficult to make a business model, or it had been difficult to make a business model out of selling media downloads or digital downloads. There is an opportunity to do that in Second Life in participatory spaces. So rather than simply sell the media for one individual to listen to, you have an opportunity to sell or license for a crowd or event type usage.

That is the kind of business model that is possible in this somewhat different kind of space as opposed to the existing business models.

About the benevolent dictatorship of Linden Lab. You know, we are a company. We make a product and a service that we have to offer in a way that allows us to satisfy our customers. That is the main business requirement for anybody who wants to continue to remain in business.

So in that sense, if we are not satisfying not only the majority of our existing user base but hopefully a significant portion of our prospective user base, that in effect makes us as democratic as you could possibly want to be because if we are not obeying our users, we are going to go out of business -- which could happen if we screw things up.

The thing I think that users of Second Life consistently underestimate is their own ability to effect their own social interactions. Because we don't actually attempt to do a lot of social governance, that leaves a huge amount of space for people to make their own collective agreements. There are tools within Second Life. There are certainly tools on the Web for people to band together and make in essence social contracts with each other.

So there isn't actually anything preventing people from forming kinds of democracy in Second Life. It's just that forming democracy is really hard. I think the people who asked for Linden Lab to form a democracy, what they are asking is for us to impose a little bit of more dictatorial social order. That is actually something we won't do. It's up to the people to form their own social order.

I forgot what the second question was, so maybe I'll let others answer it.

MR. BEAGLEY: Let me just jump in quickly.

I do think that the question of privacy is an absolutely critical one and there clearly is a role for government to play.

I think what Gin talks about in Second Life also applies to other services, like Google for example. There is a tremendous ability of consumers to defect to other services if say privacy is not respected or companies start doing things with the data that consumers would not approve of.

However, I do think there really is a role for government to play, both in making sure that there is transparency as to where is the data and who is doing what with it, and also making sure that consumers have the opportunities to opt in or opt out of various uses of that data.

So I think that it is clearly an area where you need to tread very carefully because you don't want to impose rules that become too onerous. But it is a different and important role for governmental organizations.

MR. TAPLIN: Just on the notion of Google's role in political, what we used to call the fairness doctrine, I don't really think there is a role for government in terms of regulating websites. We are not talking about a one-way pipe; we are talking about an open conversation, two-way.

Back to Second Life and democracy, I would say there is a certain level of anarchy in the classic Italian sense on Second Life, and clearly the anarchists have taken over certain things that they thought were wrong and bombed buildings and stuff like that. So it exists in a very strange way.

MR. GILL: I guess my case generally would be whether there is anything happening in this environment that would require laws that are different from those that exist in the community generally.

Essentially aside from this issue of privacy, which does arise and aggregated data does present problems, it doesn't seem often that there is a lot happening there that is that different. I guess sometimes we are seeing what people think about that they wouldn't normally share. I don't know how scary that is.

MR. YOON: Now that the other panellists have reminded me of the second question, I wanted to chime in very quickly on it.

You had asked about the regulation that applies to older media like TV and radio, for example, for equal time for political views and how it doesn't apply to the Internet.

I think what Jonathan was talking around the edges of that is so important is that the creation of content in media over the Internet, over websites, over platforms like Second Life, it's so cheap. Any user can do it. Anyone can have a voice over these kinds of new media.

I think in comparison to the high cost of getting on radio and television, maybe some of the regulatory rationales don't apply to this media.

MR. LETTICE: Okay, on the right.

QUESTION: Thank you. I'm (inaudible) OECD.

As you know, we are receiving

questions by e-mail as well for this panel. The panel the entire day actually is on a webcast so people are able to send us questions.

We have a question from Michael Nelson from IBM to the entire panel.

The question is: How important are standards and interoperability in the development of Web 2.0? Which standards will be most important? And do you think we will see companies working together in open standards for identity management, document format, security objects and avatars in virtual worlds, et cetera, or do you think the different players will use proprietary standards to limit competition and restrict what customers can do?

Thank you.

MR. TAPLIN: I would say that open standards have been the whole reason that the Web has exploded. If we didn't have HGML, TCP/IP, none of this would have happened. And nobody is getting a licence for any of those technologies.

My feeling is that open standards are really critical and anyone who tries to push proprietary standards onto the Web is going to fail.

MR. YOON: I completely agree with that.

We are constantly thinking about what kinds of interoperability standards are going to be developed first and matter first. I think many people believe, probably correctly, that being able to have a common identity across online services is going to be increasingly important as people invest more and more of their time and personality into each one of these services.

When I talk about identity, that doesn't mean your personal identity. People always know who you are. What it means is that you just have a common representation across each service so that every service knows that this is the same identity using it.

That is something that we are actively working on with many folks, including folks from the questioner's company.

MR. BEAGLEY: Actually, another interesting example is you look at social networks, for example, where to a certain extent there is a certain sort of stickiness of, for example, a user's profile on each of those services, so you invest a tremendous amount of time developing your page on my space, a tremendous amount of time in developing your page on Face Book.

There are a number of services that are emerging to help the transfer of information between those services or being able to actually access information from multiple services at the same time.

So it may not be a technology issue. But even from a service perspective, there is a lot of new developments to enable interoperability of these consumer offerings.

MR. GILL: I guess as I was saying at the outset, I think a really big part of the parallel development of this environment will be about people's identity and their ability to identify others like them and they can have a secure relationship.

It seems to me the security of

identity in a transparent way for transactional communication I think is critical. There is nothing that gets near that at the moment, and I think that will inhibit an awful lot until it is resolved.

MR. LETTICE: The very patient gentleman over on the left.

QUESTION: Good morning. My name is Michel Leblanc. I'm a blogger in French at michelleblanc.com and an expert in Web strategy and Web marketing. So here is my question.

About last winter I saw a graph about user participation, especially directed to blogs and Wiki and it said that if there were a hundred people in a room, one would create content, nine would interact with it and 90 would just read it.

So do you think this figure is still accurate? And how do you see that figure evolve? Thank you.

MR. BEAGLEY: That’s actually numbers that I’ve seen as well. And I think you could look at the services, the number of actual content creators on the services versus observers, is usually in the range of, you know, 1 to 3 percent. And then there's various levels of just observational interaction with the service.

And I think one of the key goals of these services is to find ways to encourage users to participate more to increase that number and to also find ways to sort of support their existing talent base.

So, to a certain extent being able to identify, you know, who are the people that are actually creating content and really keeping the social network or the community space really lively and encouraging them to come to your service, encouraging them to create more content and then encouraging other people to migrate from the pure observer status to content creator status will be one of the key I think strategic goals for a lot of these organizations going forward.

I'm sure that's a major issue for you, for example, right?

MR. TAPLIN: Just one of the things that I observed is that when you have a crisis, we saw in Burma/Myanmar last week, you create all sorts of new participants in web content creation that hadn't thought of themselves as being user generated content providers.

But I mean, we saw it at USC. Lots of people sending us, you know, webcam photos, stuff like that, just to try and get the stuff out for other people to see. And so that feedback loop was happen-- we saw the same thing during Katrina, during the, you know, people using Google maps to create ways for people to see if their home was under water.

I mean so oftentimes it takes a kind of crisis for people all of a sudden become participants in this web. And then maybe they don't do it anymore but maybe they just are hooked on it.

MR. YOON: I think that's true. There is though probably a natural level of content creation. And you know, if you're operating a service based on user generated content you probably do want to see the absolute number of creators go up while the percentage goes down because you have more consumers of content.

It was certainly the case for SecondLife. You know, when we first introduced the service it was virtual dirt. There was nothing there. So, you only went there if you were a content creator. You know, we had 300 or 400 users. And probably 90 to 100 percent of them created content.

As recently as last year, by our best measures, maybe 25 to 30 percent of the users of SecondLife were creating content actively. And I think these days I haven't looked at it very closely but it's probably closer to the 10 to 15 percent range.

So, we probably have a lot of change in that percentage to go before we get to the 1 percent creation range that a truly widespread media has.

MR. GILL: I would think definitely and I think for the simple reason that a lot of the niche media that pre-existed the web, that were taken out by the web, particularly in the newsletter space which was what I was getting at earlier about a lot of the niche spaces. Those things are areas where people are willing to finance fulltime behaviours.

And I think one of the issues at the moment is that the change in the distribution that exists on the web hasn't been rebuilt around those sorts of communities. But I'm sure that that's what is probably already happening.

And putting aside the broad -- the incidental user generated content, it seems to me there's an awful lot of communities that have value around things whether it be a local newspaper model through to all sorts of you know, sporting interests and various things where people will, in the end, happily get someone to do the job for them.

MR. LETTICE: Yeah, there is a mike there. Yeah. At the back with the yellow tie. Yeah.

MR. DANKOO(ph): My name is Dankoo(ph), I'm from Malaysia. I'm the CEO of the World Congress on Information Technology, 2008, which Malaysia will host next year.

Very quickly, I want to ask about other models for the participative web and not just about social networks. In particular with regards to say, incentive where R&D scientists are competing for a prize to solve a specific science problem, or for another example, the Schomberg(ph) Eagles in the baseball minor league that used the web to basically get participation from the net audience on who they should field on a particular match. And perhaps the third one in relation to Kasparov Against The World, that was I believe a chess match that happened in 1999.

The second question is with regards to motivation versus incentives. I think the chair talked about crisis being one of the motivations.

How do we better prepare for a participative web that is more inclined towards the mainstream as opposed to it being now more amongst early adopters? What kinds of motivation and/or incentives would better work for us to move the participative web that way? And the third one is, what kinds of speed bumps lie ahead other than perhaps net neutrality -- maybe government regulations, maybe taxation, perhaps even the use of such networks for reasons other than common good, like terrorist networks, how do we put these down for example? Thank you.

MR. TAPLIN: I could take the motivation one. We notice in studying the incredible rise of Chinese bloggers, if you go on Technorati's listings the number 1 and the number 7 blog, at least a few weeks ago, were coming from mainland China in terms of number of links to them.

That says to me that the motivation was a place where people do not have a voice in their media and need to assert their own voice. And so the motivation is, let me be heard in a place where it's not easy to be heard. So, that would be to me, one of the main motivations.

And I think inevitably the second motivation is when it becomes hip to get on a social network or something, then you want to do it because your friends are. And then you get the classic network effect happening: you mean you're not on Facebook? Well, if you're not on Facebook in my college, you almost don't exist.

MR. BEAGLELY: I can try and address one of your first questions which I think was, you know, what about the participative web outside of social networks. And you mentioned technology competition for example. And I think that really is a tremendous area of opportunity.

And there are several examples, you know, they're rather experimental to date, of companies that have been very successful at leveraging communities for goals of, for example, product development, customer service and so on and so forth.

So, if you look at P&G for example, they've been very clever at creating communities of users to help inform how they develop their product, get new product ideas and basically get feedback on their existing product lines.

Very recently, NetFlix, the company that sends -- the DVD rental company, launched a contest on their site where they basically leveraged the power of the community and asked their members to try and develop a new DVD recommendation algorithm. And I think they, you know, they associated that with a prize of $1 million. But they’ve had, you know literally tens of thousands of people and you know, hundreds of different teams developing new algorithms for them. So, a, you know, a potentially incredibly powerful way of tapping into the knowledge of the crowds.

And then finally, if you look at software companies, they’ve been very clever at leveraging their communities to help, for example, solve their customer service issues. So, rather than having to staff up a whole customer service centre, they actually leverage sort of lead users to answer other customers' questions.

So, you know, I think there's tremendous opportunity across the board there. It hasn't really been done in any sort of systematic or very organized way.

You know, I think it's a real challenge for existing large networks like MySpace or Facebook. Can they develop offerings that will help companies achieve some of these goals beyond just advertising and promoting existing products?

MR. YOON: Maybe I will take the third question about speed bumps and answer it in typically loopy Silicon Valley style.

The greatest speed bump, in our view, is fear. Fear is a mind killer, we like to say, and people respond to fear by trying to assert control.

Companies are afraid of disrupting their old business models. They are afraid of letting users play around with their existing media. Governments are afraid of letting their citizens speak in uncontrolled environments. Media are...well, actually, media love to see anything happen, I guess, but there is some amount of fear that, you know, it's all anarchy, it's all out of control. And so what we have got to do is put everything into a box.

Again, I would emphasize that what we are seeing now is a tremendous opportunity for low-cost experimentation, low-harm experimentation.

Jonathan was talking about, Oh, my gosh, you know, people are talking about terrorists in SecondLife. They are blowing up buildings. I mean, you know, they are digitally making little pictures of bombs that blow up next to little pictures of buildings. If this turns out to be the way people commit terrorism, I mean that would be a tremendous evolution of human society.

--- Laughter / Rires

MR. YOON: So there's nothing to be afraid of there.

MR. GILL: Well, I guess my Asaria just met his Milo Minderbinder.

I think I agree with that. I think there's a lot of incumbency issues, I know there are probably more to come, because I think as we develop further the real engagement with this communication form, there are a lot more models that have yet to be tested.

It seems to me that there's a lot of those, you know, which are going to be quite fearful of the changes. Those industries, whether they be media or entertainment or communications or banking or quite a few others, have such disincentives to engage aggressively that they can really be quite inhibiting in the way that this develops.

The other thing, I think, which we have a look is I think there's a time question. People already have an issue about time with the web, and the people who are of most value in engagement for communication are the ones that have the most trouble with time. I think that's a concern.

I think there's something about the efficiency of the communication which, you know, in some ways is about bandwidth, in some ways about design, in some ways about utility. But there are many things that need to be solve to fix that.

And I think a sleeper is that presently an awful lot of the use of the web is actually in working time and that some of the outcomes of that are disruptive, in terms of server efficiency and, I guess, threatening, in the sense the businesses these days rely so heavily on email for doing business.

MR. LETTICE: There's a lady on the left.

QUESTION: My name is Karen Hovelin. I work for a Swedish government agency, the Swedish Institute for Growth Policy Studies.

I mean, it's obvious that Web 2.0 will have a large impact on both business and politics and the way we interact. I would be interested to hear a little bit about, you know, talking about productivity.

A lot of applications, of course, will have a positive effect on productivity develop and quality improvements in service and so on, and you were touching on this just recently. But on the other hand, we see also that some people get kind of hooked on things and kind of try to spend a lot of time on it.

Recently, we have seen companies restricting access to Facebook, for example, and other networking sites. I would be interested to hear you opinion. Do you see this as a problem? Will this hinder the development of new services and new applications?

Thank you.

MR. TAPLIN: Well, one of the problems in the U.S. is that a lot of people's only access to broadband is in their office. So I have noticed that some large telecom companies, for instance, have been blocking access to ESPN.com or other services that they think are not directly related to doing business.

Either that's going to force people to get broadband at home so they can look at sports highlights at home or that's going to be a problem, in some sense. Since I don't run a big business, I would have to yield to Michael Gill as to whether he thinks it's a time waster or not.

MR. GILL: I mean, put it this way, we are in a position where, you know, you have to let people use the web pretty freely because of the nature of the work, particularly in journalism. But one of the consequences is from time to time it looks as if the network might not support our activity, which includes sending images to printing plants.

So, yes, there's a real issue there, and we, obviously, haven't resolved it. That's what I was getting at at the end of my last spiel. I think there's an issue. Whether it's the productivity issue about time used effectively or whether it's the consequences of what comes back to you when you are doing that, there's no doubt that, if there's a network risk, I think people are acting to close it down one way or the other.

MR. YOON: Yes, it really depends on the business, right? I don't want to make a broad judgment about all businesses, because certainly if, say, there's a business that is involved in air traffic control or a nuclear facility, maybe you want to have a certain expectation of constant attention.

If you are in a media industry, if your employees aren't involved in sort of Web 2.0 life, then they are probably not going to be good at their jobs.

I think, though, it's going to be much more the latter case than the former for most businesses. I mean, if you are in charge of a business, you have to ask yourself.

If you want employees who are creative, who are connected, who understand what's happening in the present and the future, you know, blocking them out from one of their main time periods where they can understand this seems to be something that would be counterproductive for your business.

MR. TAPLIN: Just one other wild thought, not to be plugging Gin's business, but I was recently at a conference in which a relatively high director at the U.S. Central Intelligence Agency said that they were using SecondLife to teach both Korean and Korean manners, in other words, to teach employees how to speak a language and how to act culturally appropriately in the language.

They said it was by far the most effective way they have ever had to teach people because you had to actually come into a space and interact and not do something culturally inappropriate, as well as learn how to speak the language.

MR. LETTICE: We have just about got time for one more, if there's...ah, yes.

QUESTION: Hi, John. This is Marc Rotenberg with EPIC, and I wanted just to make a comment and ask a question.

You know, for the last 10 years almost we have been publishing this big report on privacy and human rights around the world. We modelled the report after a traditional human rights report, like the type that might be published by Amnesty or Human Rights Watch.

We decided this year, in trying to understand the jurisdictions of the world, that virtual worlds, such as SecondLife, were really very interesting.

We have got a thematic section and we said, Well, maybe we should include among our subjects thematic entry on virtual worlds, which we did. But when we came to the question of jurisdictions, and we are now up to 75 countries, we decided to include SecondLife, which appears between San Marino and Singapore in our listings, as one of our new country reports.

Now, I think we are breaking some new ground here. I haven't seen the United Nations yet give you guys a flag or an anthem or anything like that, but I'm genuinely interested, as you sort of think about the way we are interacting in this new world -- and I agree completely with how you described it as more immersive -- do you think there is a role for government in a role for government in virtual worlds? Do you see sort of jurisdictions collapsing in these new spaces that people create with their digital lives?

MR. YOON: You know, there’s certainly ways in which we think of SecondLife as its own jurisdiction because of the way that people experience it. And from an individual user’s perspective, that’s easy to understand. However, it would be folly for any on-line business to believe that they don’t actually exist in the real world. I mean we have, you know, physical employees, we have servers located in the United States; we'll deploy them in other countries as well. The laws apply to us, as they apply to all on-line services. And we, as well as any other service that is attempting to offer a multinational user experience, have got to live in real world jurisdictions and comply. So, there's a kind of social order in SecondLife that makes it, its own separate world, but when you talk about actual government regulations and activities, I mean there's only real governments. You can't just say you have a government and all of a sudden it exists.

UNIDENTIFIED SPEAKER: (Inaudible)

MR. YOON: Well, at least, you know, this is a view that we're going to have without actually having an army and the -- from a human rights perspective it might make sense to think of it as a coherent world. But from the view of, you know, real world government regulations, all on-line businesses, you know, have to be good corporate citizens and comply with existing laws.

MR. TAPLIN: I also think that some governments are beginning to think about this. I think Sweden has put up an embassy in SecondLife and there is a beginning of thought of if they create some very good translation software that the public diplomacy use of SecondLife -- I mean, we're studying this at USC -- is something that could be, certainly from a citizen-to-citizen level, very interesting, and certainly worth exploring.

MR. OXLEY: Shall I just hand it straight over to you? Is that the --

UNIDENTIFIED SPEAKER: No, actually, John, if you want to just capture some of the thoughts here, and turn them out there just quickly. There's some great conversation happening there and I'm taking great notes.

--- Laughter

MR. LETTICE: There was one angle that I picked up from something Cyrus said. Sorry, Cyrus. You were talking about monetization -- monetization of discussion groups. And the words that got me were the possibility of businesses maybe leveraging conversations. And then I pictured myself with my Ad Department coming to me and saying, “Hey, we’ve got this great idea.” And I pictured what that does to the trust that the user has in the medium, and that seemed to intersect with what Michael was saying about trust authentication. So, it was possibly -- it’s perhaps wrong of me to try to project too much onto what you said, but it sounds a little like the way businesses have a habit of undermining the product in attempting to monetize it.

MR. BEAGLEY: So, I think that’s a very, very good point.

You know, you’re going to actually look at how consumers are behaving today. So, for example, a lot of brands, if you look at like the top hundred brands, I think 50% of them probably already have a page on My Space or a page on Facebook, and consumers are very avidly, actually, adding those brands as their friends because it’s part of their social identity, it’s part of what they like. And so I think there’s, you know, the media companies themselves are very concerned about potentially undermining the experience. But I think there's also a real appetite for consumers to engage with these kind of offerings.

I think the key thing is just being transparent about it and making sure that as you do, as you experiment with these new monetization vehicles you actually do respect the privacy and you're being transparent about what you're doing with the data and the conversations. That's the critical point. And then that allows you to maintain trust. And then, frankly, the consumers can opt in or opt out of whether they want to engage in that kind of behavioural interaction.

MR. GILL: Yeah, I can add -- But the first thing I'll say is I think one of the very powerful things that the web has already done is actually changed some marketing behaviours and move in the direction of more factual and transparent statements about what a product may or may not be. And that's, I think, a direct consequence of the way the web works.

The other thing that I found interesting in our own audience is that permission marketing is valuable. People -- as long as it’s qualified and transparent, people actually value and expect to have that. But, the permission or the qualification of it is a high priority, I guess. So, you know, as opposed to SPAM which nobody wants, there’s quite an interest in trading some forms of marketing message as a form of content.

MR. TAPLIN: Just one last thing. When Facebook announced last week, and My Space has, as well, that they were going to kind of data mine the profiles of their members in order to provide an advertising platform that was much more rich, there really was not a lot of push-back from their membership on that idea because of the notion, as my students said, well, if you’re not dating, you don’t want to be SPAM’d with a lot a match.com dating information. So, why not tell them what you’re interested in.

MR. OXLEY: That was a wonderful conversation. John, I really appreciate you taking the time to add the value at the end.

For some closing comments and remarks I want to introduce from -- the Secretary of the OECD, Andrew Wyckoff.

MR. WYCKOFF: Thanks John. And I want to add my word of thanks to the opening session panel for really kicking off what will be a great forum, and really beginning to touch on many of the issues I think will resonate throughout the day, and I just wrote down a quick list of issues of investment and business models and intellectual property, and social impacts such as issues of privacy and identity. Then there's the OCED staple of market competition and innovation. It was all there this morning.

I just want to remind you, as one of the two sponsors here, and hark back to the opening remarks by Michael Bidner and Suzanne Huttner, that this forum is a little bit different than some others that you have been to possibly on this topic. It is set in a policy context. And so I am going to issue you some homework here because you need to help us out here. This is not an easy area to try to formulate policy. But that is the objective of today. It will feed into meetings that will happen on Thursday and Friday, and maybe more importantly into a very large meeting that will happen next June at the ministerial level in Seoul, Korea.

Before we break out for coffee and into the break-out sessions after coffee, I want you to keep a few questions in your head that we hope to get some partial movement and answers for by the end of the day.

The first one is an easy one. What does the future hold for the participative web?

What are the impacts on (inaudible) creation and businesses and users and governments?

What are the implications for confidence and trust in the Internet?

What is the government role, and we’ve just been talking about this, for providing the right environment for stimulating Internet innovation and economic growth?

And, above all, if you can help me and my delegates who are in the audience, as an Intergovernmental policy body, the OECD is looking at what's the appropriate policy directions to pursue to keep this going and build on the development.

We will return to this in Session 5 today, as well as the concluding remarks.

--- Applause

MR. OXLEY: Thank you, Andrew, and this wraps up the first panel, but thanks again to our panellists.

Stream A is going to be in this room right after a coffee break, starting at 11:10, and can I ask the Stream A speakers please to come over here as soon as you can so David can get a chance to chat with you.

As well, coffee is going to be served in the main lounge just off to the right.

Stream B Research 2.0 is going to be back in the Sussex Room.

And can I ask those three main speakers, please, to come over here as soon as you can, so David can get a chance to chat with you?

As well, coffee is going to be served in the main lounge just off to the right. Stream B, Research 2.0 is going to be back in the Sussex Room, through the Anti Room and to the left. And that is going to be chaired by Walter Stewart.

One last thing, if you remember the Civil Society, there is going to be a meeting starting at 11:10 in the Annex Room, just at the back over that way, so just out to the right and to the back.

As we are, we are tight on time. We are going to be starting right on the clock at 11:10, so please go enjoy your coffee and come on back.

Thank you.