

Assignment 4

Regulation of (mobile) Telecommunications

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- Definitions of Regulation
- Origins of Regulation
- Regulation Levels
- Regulation in Germany
- Regulation in the US

- Public intervention into markets
 - Limits/enables action scope of market players as to e.g.
 - Market entry
 - Pricing
 - Offerings
 - Limits/enables action scope of individuals
 - Limits/enables application of new technologies
 - Modifies general laws with regard to a certain industry
 - Often owing to market failure
 - Has a long history in telecommunications and broadcast

- Market Failure as a reason for regulation
 - The market price does not reflect the real costs of the system
- Consequence:
 - Hampered competition, innovation, society progress.
- This may occur in different ways.

- Telephone Monopoly:
 - Formerly high prices and inflexible service, no customer orientation
- DSL-flat-rate:
 - Higher costs for competitors, advantages for the former monopolist
- Microsoft-trial:
 - Exploitation of market power against Netscape
- Post-monopoly:
 - Volatile service quality and high prices for international delivery of mail

- In industries with high fixed costs or limited market potential,
- One (monopoly) supplier may produce at lower costs than several suppliers in competition.
- Prices and services need to be regulated.

- If a supplier
 - dominates a market and
 - harms competition and innovation
- Competition surveillance may
 - foster market entries or
 - limit the market power of the dominant supplier.

- Political goals are not achieved.
 - E.g. employment goals or social goals are not achieved by the market itself.
- Then, state intervention may be necessary.

- Purpose of regulation
 - Encourage more national and international competition
 - Foster innovation through competition
 - Let price competition drive new technologies into the mass market

Regulation is

“ ... justified and accepted in case of market failures, i.e. when the market fails to allocate resources in a welfare maximizing way.” [Drüke 1999]

Regulation is done on several levels:

- International agreements (WTO)
- EU regulation
- National regulation
- Regional regulation

- Was developed over a long period of time
- Some developments can only be explained historically.
- Separation of technical services and content services, e.g.:
 - Telephone networks
 - Mobile radio networks
 - Radio amateur
 - Broadcasting

- Regulation of:
 - Price,
 - Access,
 - Technology,
 - Distribution, and
 - Availability.

- Competence split between federal authorities and state authorities
 - Federal Ministry of Economics,
 - Federal state media institutions,
 - Data protection authorities,
 - Authorities for the protection of minors, and
 - other authorities.

- ➔ Intransparent mesh of competencies
- ➔ One resolution approach:
synchronization and assimilation of
Mediendienstaatsvertrag (State Treaty of Media)
and Informations- und Kommunikationsdienstegesetz
(ICT Law)

- Telecommunication market is traditionally regulated
- History:
 - expansion and consolidation, by the 1920 (AT&T with a quasi monopoly)
 - Due to legal issues: Break of AT&T into several smaller companies
 - Regulated Monopolies (but more competition)
 - Step-by-step deregulation
 - 1996 Telecommunications Act
 - To promote competition and public interest

[Economides 2004]

- Traditional Policy: Maximize the subscribership of the Public Switched Telecommunications Network
- Characteristics today:
 - Network is seen as a set of components
 - A network consists of interconnected networks
 - Every party in the market is able to compete in every part, as well as in end-to-end services
 - Mandates the lease of unbundled network elements at cost
 - Mandates Number portability
 - Market openness (e.g. Local Exchange Carriers may enter long distance market)
 - Nation Wide standards for competition

[Economides 2004]

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EU-Law: www.artikel5.de/gesetze/eu-index.html

German media supervision: www.jura.uni-sb.de/BIJUS/rundfunk/rstv36.htm

Organization Chart Federal Network Agency:
www.bundesnetzagentur.de/media/archive/10835.pdf

Telecommunications regulations by the Federal Ministry of Economics and
Technology:
www.bmwi.de/BMWi/Navigation/Service/gesetze,did=21996.html

Roadmap for the Reform of the EU's Telecom Rules:
http://ec.europa.eu/information_society/policy/ecomm/tomorrow/index_en.htm