

Economic and institutional implications of network convergence

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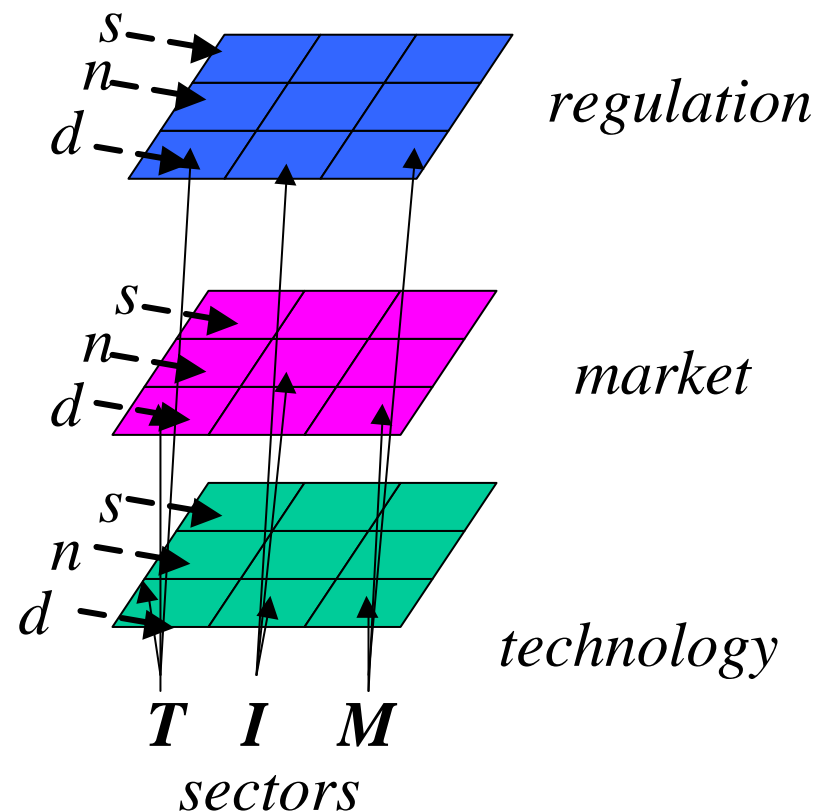
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Convergence model: 3 dimensions

- Convergence is a technology based market restructuring development process
- Regulation reacts to technology and market features and changes
- The ICT sector extends



Dependency from networks

- Networked industries extend and influence the economy
- Reliability and security of these networks become essential
- Dependency asks for regulation



Oligopol structure leads to asymmetry

- There are few providers and capital concentration
- There are differences in market power and information asymmetry
- Asymmetry asks for regulation



Stakeholder structure & convergence

Stakeholder groups:

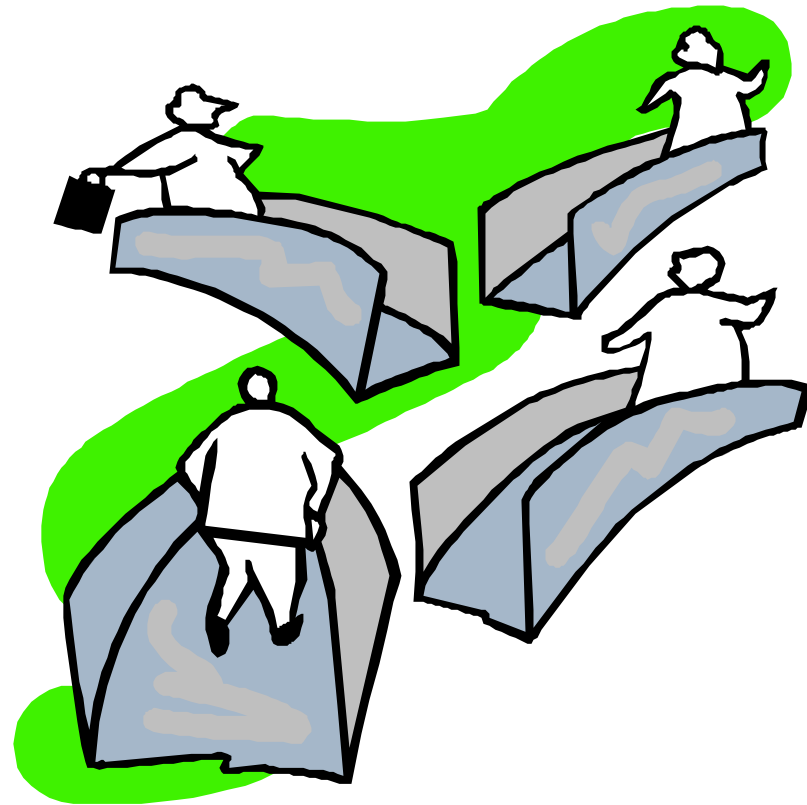
- ❖ Customers
- ❖ Providers
- ❖ Suppliers
- ❖ Investors
- ❖ Workers
- ❖ Redistributors
- ❖ General public

Convergence aspects:

- *Growing supply*
- *Restructuring markets*
- *Rearrange supply chain*
- *Growing risk*
- *Less staff needed*
- *More regulation needed*
- *Interested in involvement*

Historical regulation approaches

- Sector specific regulation for telecom
- Self-regulation for informatics,
- Technical regulation for scarce resources for media
- Content providing as other media



Co-regulation approach

Distributed duties
among:

- Sector-specific Regulator
- General Market Regulatory Authorities
- Industrial self regulators
- Civil Society



Co-regulation for convergence

Stakeholders:

- Sector-specific- and general- market regulatory institutions:
(Governmental Authorities)
- Industrial self co-regulators (Industrial associations)
- Civil associations, consumer groups, workers groups, public

Regulation:

- *Legislative framework, direct regulatory empowerment is needed, co-opetition for duties*
- *Fight for more self-regulation, they ask for funding, risk of dominants*
- *Weak on the market, but public is sensitive on them*

Globalization of networked industries & regulation

Networked industries become Global:

- Operators, consumers from the whole World
- Network density grows, networks extend
- Internationalisation extends

The relevance of the industrial co-regulation increases

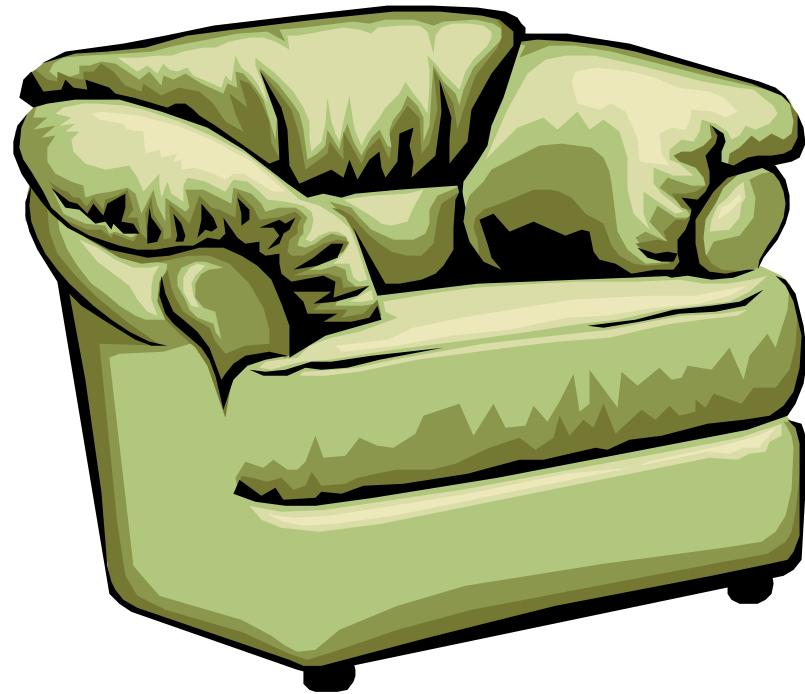
Regulation tends to be Global too:

- *ITU as a global regulator seeks for consensus*
- *WTO & UN-WSYS tries to enhance the development*
- *EU has intensive internal market regulation*
- *US is a benchmark for EU*

Institutional framework scenarios:

“Let it be”

- *Let the spontaneous convergence process to act. Handle only the emerging market failures*
- *Happy incumbents*
- *Rather happy customer and regulator*
- *Unhappy newcomers workers and social groups*



Institutional framework scenarios: *“Look it after”*

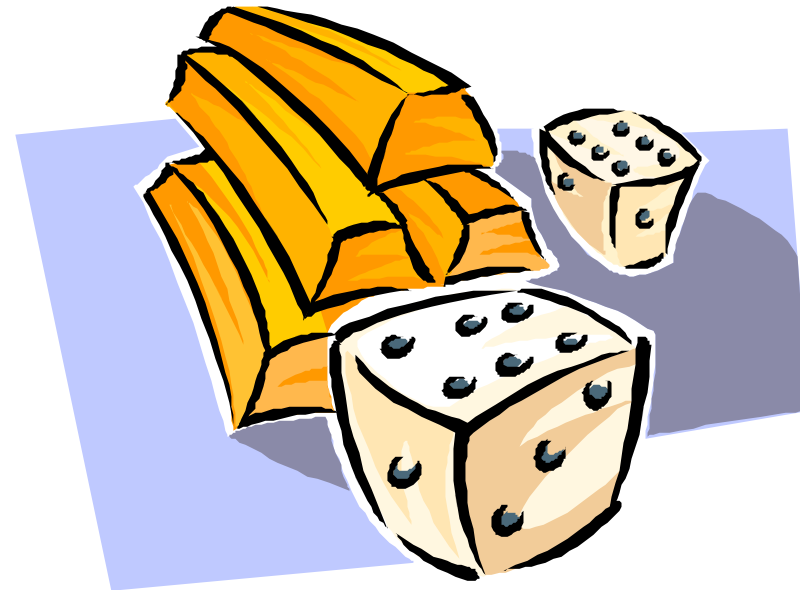
- *Extend the existing regulatory institutions towards information and media technologies*
- *Happy customers, newcomers and investors*
- *Rather happy regulators*
- *Unhappy incumbents*



Institutional framework scenarios

“Merging”

- *Merge sector-specific regulation with regulation of content*
- *On stop shopping for consumers*
- *Merges political issues with technical ones*
- *Risky scenario in CEEC*



Institutional framework scenarios

“Federalisation”

- *Public utility regulatory institutes in each EU member states,*
- *Extended sector-specific regulator at EU administration*
- *Not matured scenario in Europe yet*



Focuspoint options of sector-specific regulation

- Extend the competency of sector specific regulator*
- Co-regulate in aliance with Competition Authority*
- Co-regulate with industrial bodies*
- Regulate based on communication with civil society*