

Self-regulation, Incentive Based Regulation, Co-regulation, Cross Sector Regulation in Social Media: Modes and Models



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Deutsche Telekom Group



Consulting
DETECON



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1. **Detecon – Who we are?**
2. Does Self-Regulation Always Work?
3. Examples of Self- and Co-Regulation



Partner and Head of Delivery Detecon Asia Pacific: Dr. Werner Knoben



Dr. Werner Knoben
Partner

Area of studies

- PhD in Mathematics: RWTH Aachen University, Aachen

Professional Experience

- T-Com / Deutsche Telecom / Detecon – Partner: Bidding and Auction Strategies; War gaming; Regulatory strategies; Due Diligence; Scenario Analysis

Key Qualifications

- Regulatory and wholesale strategy, market liberalization, competition law, regulatory costing and accounting separation
- Auction Design, Auction Strategies, Game Theory, War gaming, Communication Strategy, Bid Strategy
- Consumer and B2B strategy, Business Cases, Scenario Analysis

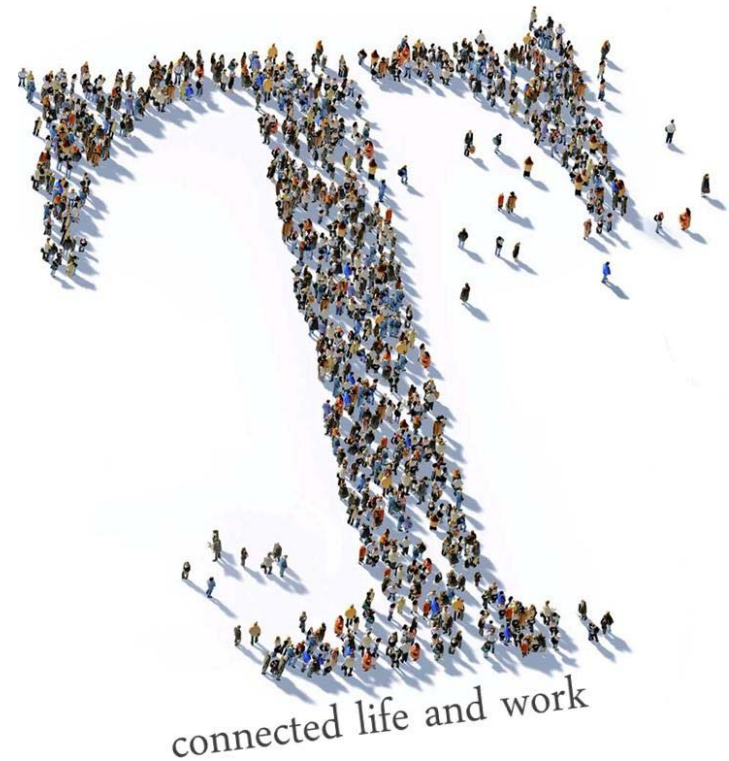
Selected Project Experience

- TRA Oman: Setup of a 4G spectrum auction
- NCC Nigeria: Setup of SMS and Data Interconnection Regulation
- NBTC Thailand: Development of an Accounting Separation Framework
- SingTel, Singapore: Auction and bid strategy and 4G license valuation
- TMMK/MKT, Macedonia: Regulatory Costing
- Advisor for Deutsche Telekom subsidiaries in Croatia, Hungary and Slovakia for regulatory strategies

We are part of Deutsche Telekom Group, the number one ICT provider in Europe. Our goal is to leverage the strengths of the group in international markets.

Key Facts Deutsche Telekom Group

- USD 75 billion net revenue
- 239,000 FTE employees
- 1,500 headcount in group innovation and partnerships
- 50.5 million fixed network lines
- 123 million mobile customers
- Number one ICT provider in Europe
- Number one cloud provider outside US
- Strong international footprint
- Group vision:
The customers' first choice for connected life and work



Telekom subsidiaries provide integrated products and services for business and residential



T-Mobile offers mobile solutions and is the key co-brand for OTT partnerships



T-Systems delivers ICT solutions for corporate customers and public sector organizations



Detecon is the management consulting unit of DT Group, serving to the group and other customers



Detecon's global presence ensures that clients get access to the knowledge and know-how of telecommunications experts worldwide.

Key Facts Detecon International GmbH

- Foundation:
1954 – Diebold
1977 – DETECON
- Restructuring:
2002 – Detecon International GmbH
- Shareholder:
T-Systems International GmbH
- Employees:
More than 1,000 worldwide
- Turnover 2012:
EUR 168 million
- Locations Germany:
Cologne (head office),
Dresden, Eschborn, Munich
- International Locations:
Abu Dhabi, Almaty, Ankara, Bangkok,
Beijing, Jakarta, Johannesburg,
Moscow, Riyadh, San Francisco,
Vienna, Zurich
- Webpage: www.detecon.com/en/

Worldwide Presence

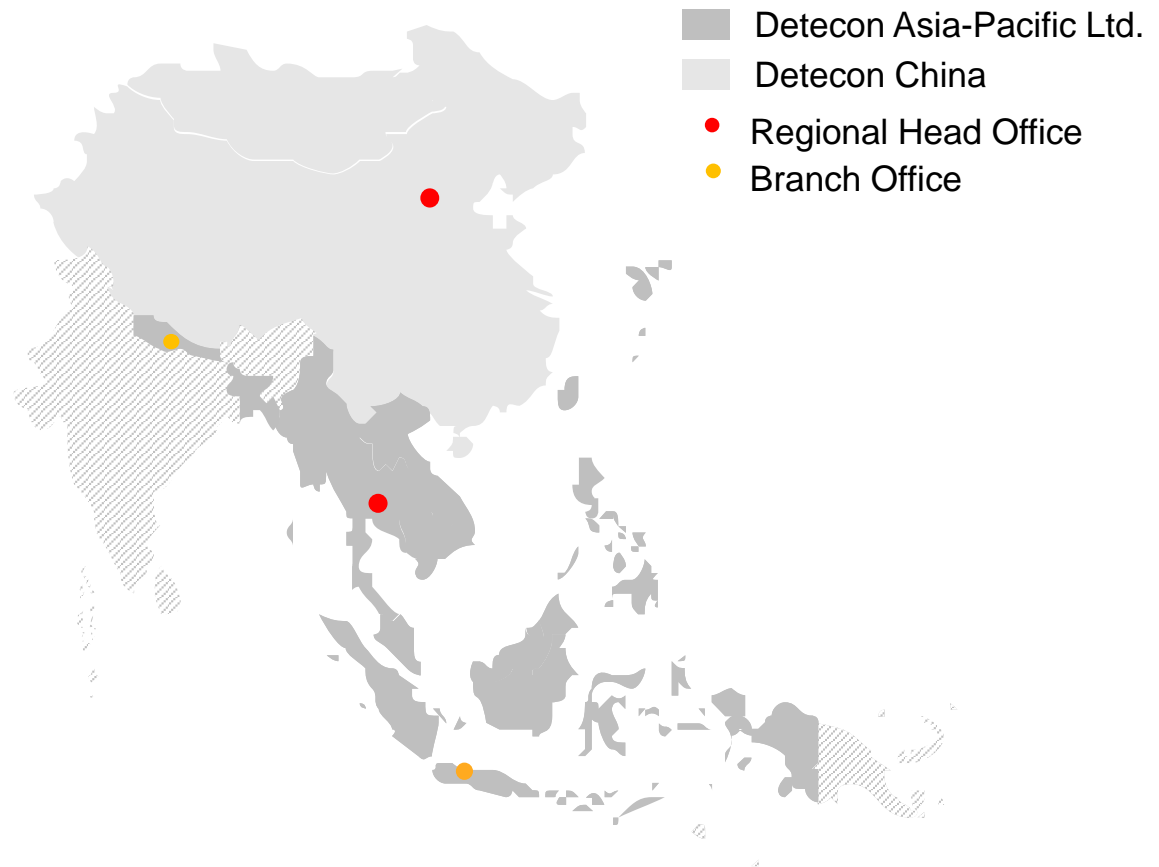


Detecon Asia-Pacific Ltd. is focusing on wider South East Asian markets. We can build on successful client relationships that have developed over 25 years.

Key Facts Detecon Asia-Pacific Ltd.

- Business Activities in Asia:
Since 1985
- Foundation of Detecon Asia-Pacific Ltd.:
2005
- Major Shareholder:
Detecon International GmbH (99%)
- Employees:
45
- Turnover 2012:
EUR 7 million
- Regional Headquarters:
Bangkok
- Regional Branch Offices:
Jakarta, Kathmandu
- Webpage:
www.detecon-asia-pacific.com

Presence in Asia



We combine a rich service portfolio with a unique approach to consulting and in-depth knowledge of the industry.

Strategy and Marketing	Technology Management	Organization and Processes
<ul style="list-style-type: none"> ■ Startup and Launch Support ■ Marketing and Sales Strategies ■ Wholesale Strategy and Implementation ■ Regulatory Advisory (Regulation Frameworks, Licensing, Lobbying) ■ Corporate Strategy ■ Corporate Finance ■ Cost Optimization ■ Business Planning ■ Business Development ■ Innovation Management ■ Big Data Strategy ■ Due Diligence and Investment Appraisal ■ Corporate Social Responsibility 	<ul style="list-style-type: none"> ■ Network Rollout / Launch Support ■ Technology Strategy ■ Outsourcing, Managed Services ■ Vendor Selection ■ Network Performance Management ■ Network Operations Efficiency ■ Tool Based Network Planning, Design and Rollout ■ ICT Strategy Organization ■ Technology Innovation Management ■ Green Technologies ■ ICT Transformation Management ■ Next Generation Data Centre ■ Enterprise Architecture Strategy and Management ■ Enterprise Service Management 	<ul style="list-style-type: none"> ■ Business Process Management (Business Process Audits, Business Process Engineering including eTOM and ITIL), Process Optimization ■ TOGAF Training and Certification ■ Enterprise Transformation Management ■ Reorganization and Merger Integration ■ Human Resources Management ■ Procurement and Supply Chain Management ■ Financial, Risk and Compliance Management

Program Management, Project Management, Interim Management



We support regulatory authorities and operators since 1977 with our deep regulatory and sector reform knowledge and experience worldwide.

Sector Reform and Legislation	Regulatory Policies / Procedures	New Regulatory Challenges
<p>Sector Reform Strategy</p> <ul style="list-style-type: none"> ■ Review of given market situation ■ Analysis and benchmarking of liberalization experience in other countries ■ Examination of political, legal and economic implications ■ Elaboration of guidelines and policies for sector reform <p>Communication and Competition Legislation</p> <ul style="list-style-type: none"> ■ Analysis of existing legal situation ■ Primary and secondary legislation ■ Regulations and calculation models (price squeeze, margin squeeze, predatory pricing) ■ Anti-competitive conduct (ex-ante and ex-post) 	<ul style="list-style-type: none"> ■ Regulatory market definition and analysis ■ Competition policy, SMP designation and remedies ■ Licensing and Authorization ■ Universal service policy ■ Tariff policy and tariff regulation ■ Interconnection and Access Regulation ■ Numbering ■ Dispute resolution ■ Market Monitoring and enforcement regulation ■ Consumer, Data and Privacy Protection ■ Frequency spectrum allocation and management ■ Standardization and type approval 	<ul style="list-style-type: none"> ■ Fix-mobile convergence regulation (e.g. pricing of mobile termination, national and international roaming, MNP, SMP evaluation, digital dividend, spectrum trading, re-farming, auctioning, ...) ■ Legal framework for eCommerce, eHealth and eGovernment ■ Media, IT, telecom convergence regulation (e.g. for content and applications, IPTV, PPV, ...) ■ Technical and economic regulation in an NGN environment, e.g. <ul style="list-style-type: none"> ■ VoIP regulation, ■ Net neutrality and QoS, ■ NGA industrial policies, ■ Next Generation Data Centre, ■ Network Resilience and QoS, ■ OTT

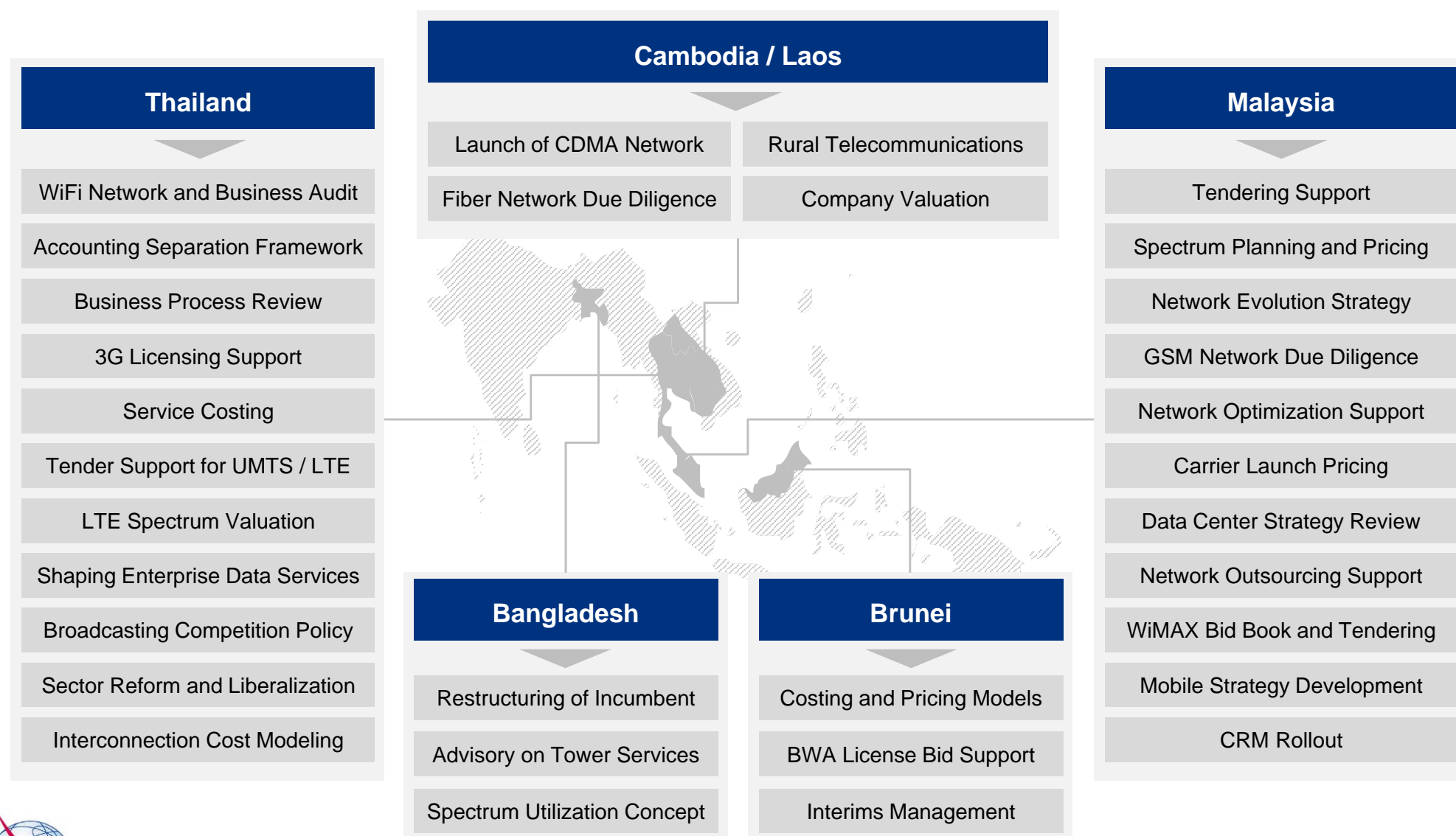
Regulatory Strategy and Telecommunication / Broadcast / Spectrum Master Plans



Our Asian client base includes donor institutions, regulatory bodies, industry suppliers and telecommunications carriers across the whole region.



A country view on completed projects proves that we are industry experts capable of dealing with strategic challenges as well as detailed implementation tasks.



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Rapid technological developments and globalization set out new challenges in the area of data protection. The risk to privacy and data protection increases with online activity.

Data Protection



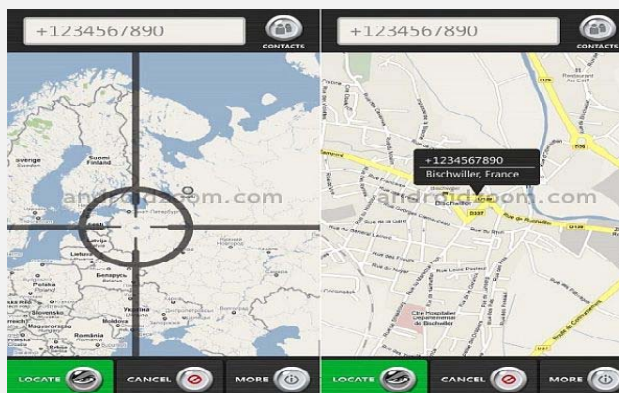
Rapid Technological Developments and Globalization

New Challenges for the Protection of Personal Data

- Consumers can share information easily e.g. with social networking sites and cloud computing
- Data collection activities become difficult to detect
- International data transfers

Example of the new challenge caused by technological development:

Increasing usage of online applications enables automatic data collection e.g. electronic transport ticketing, geo-location services which enables location tracking based on mobile connection.



The EU initiated Data Protection Reform to counter with technological changes. This will strengthen individual's rights and facilitate businesses via consistency mechanism.

Data Protection in EU

- **The 1995 Data Protection Directive** marked the first milestone in protection of personal data in the European Union (EU).
- **The 2 Pillars of Data Protection** are still applied to the data protection scheme today.
 1. Protection of fundamental rights (personal data) and freedoms of individuals
 2. Achievement of the internal market – the free flow of personal data
- **The EU proposed a reform of the EU's data protection rules** in January 2012 and is now under discussion.

The EU's Initiatives on Data Protection Reform

What does it mean for Consumers?

- The Right-to-be-Forgotten: Data shall be deleted if an individual wishes for it, and data can be kept only as long as it needs to fulfill legal obligation.
- Privacy by Design and Privacy by Default: Data protection safeguards should be built into P&S from the earliest stage of development.
- Privacy-friendly default settings should be the norm.
- Data Portability aims to facilitate transfer of personal data.

The Right to be Forgotten

Privacy by Design / Default

Data Portability

What does it mean for Business?

- Consistency Mechanism is to streamline cooperation between data protection authorities.
 - One Continent, One Law promotes pan-European law for data protection (reducing 28 laws 1 common law)
 - One-Stop Shop allows companies to report to 1 supervisory authority
- Same rules are applied to companies established outside of the EU but operates business in the EU single market.

Consistency Mechanism

Same Rules for All Companies

Strong Enforcement Powers

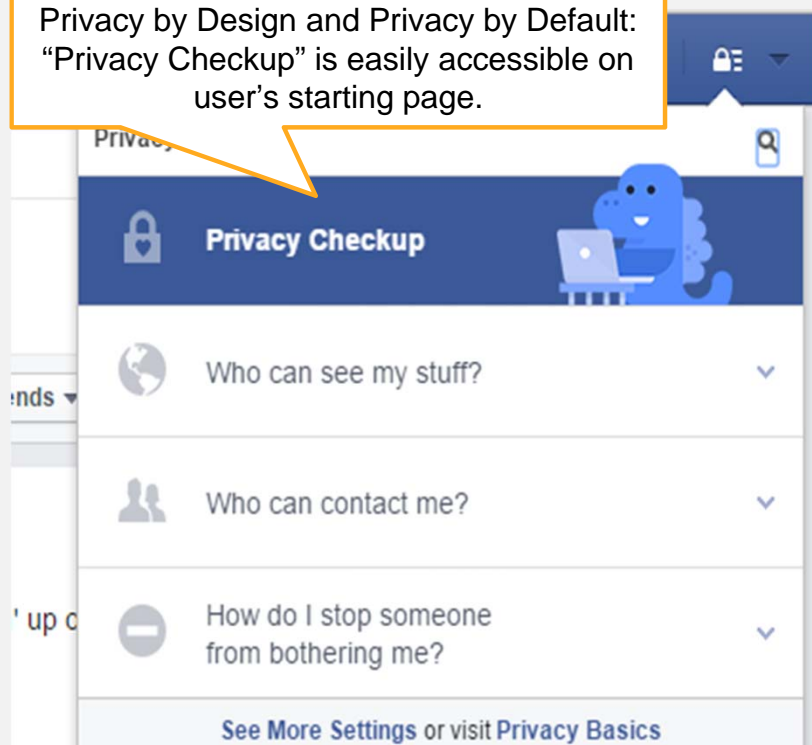
Facebook introduced Privacy Policies that handover basic data protection responsibilities to their users.

The Privacy Policy of Facebook – A frontrunner in Self Regulation?

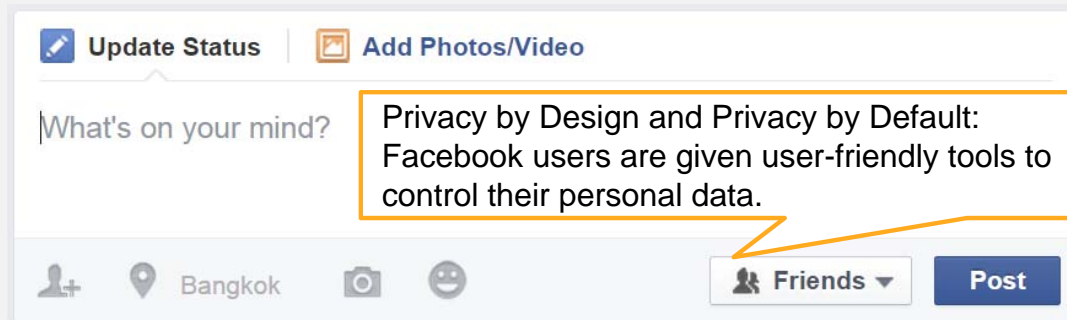
Facebook hands over responsibility of Data Protection to its users.

Facebook users have the total control of their data and are able to indicate which data shall be publicly available and which not. Furthermore, Facebook introduced the “Right to be Forgotten” by giving users the chance to permanently delete all their data.

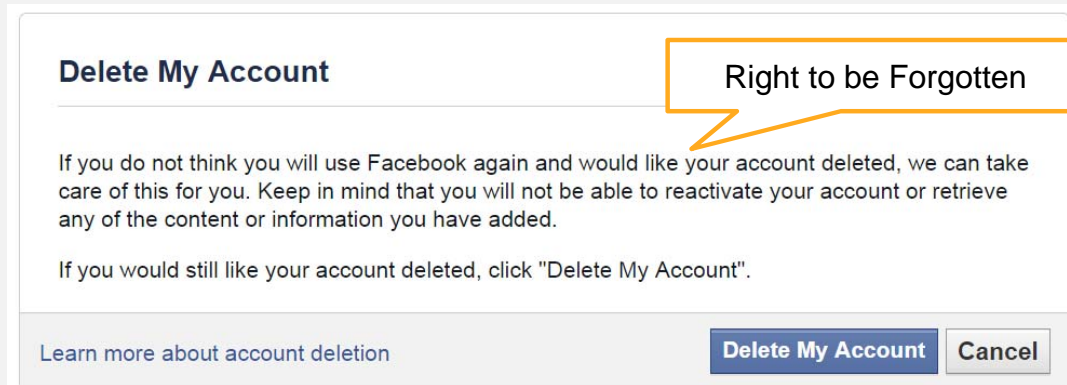
Privacy by Design and Privacy by Default:
“Privacy Checkup” is easily accessible on user’s starting page.



Privacy by Design and Privacy by Default:
Facebook users are given user-friendly tools to control their personal data.



Right to be Forgotten



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Digitalization comes with an increased amount of media content. Regulators face the challenge of balancing freedom of expression with strict control over harmful content.

Digitalization and the Social Media Landscape

Online News



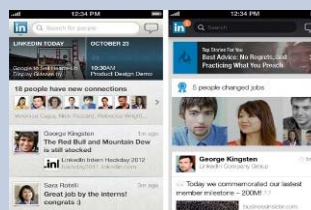
Social Networking Service e.g. Facebook, Twitter



Video-Sharing e.g. YouTube



Social Networking Service for Business e.g. LinkedIn



- The online world today has enabled information-sharing on a global scale as well as encouraged new forms of journalism.
- Individuals become active participants – from receiving content to create or co-create content.
- The Internet has further promoted the freedom of expression – leading to an increased amount of media content. However, these content may also include harmful, inappropriate content.
- Hence, there is a call for the rule / regulation that can govern online content internationally as content is now published on a globally open environment.
- **The important question is, should online content be regulated and if so, how?**

Media content including online reviews is to be regulated to ensure that media professionals as well as end-users are accountable for their actions.

What to regulate?	Whom to regulate?	Why regulate?
<p>Media Content</p> <ul style="list-style-type: none">■ Information-sharing on social media■ Online reviews■ Online prints■ Prohibitions■ Labelling■ Guidelines■ Ethics <p>Consumer Protection</p> <ul style="list-style-type: none">■ Minimum standards for equipment■ Service provider behavior■ Personal data protection	<ul style="list-style-type: none">■ Owners and controllers of media and communications organisations<ul style="list-style-type: none">● Print Media● Broadcasters● Internet service providers● Internet content hosts● Telecommunication carriers● Telecommunication service providers■ Creators and producers of content■ Search engines and web portals■ Individual end-users	<ul style="list-style-type: none">■ Protection of individual and sectional rights■ Protection of public order and support for instruments of government and justice■ Promotion of accountability and social responsibility■ Promotion of the efficiency and development of the communication system,■ The promotion of freedom of expression■ Maintaining conditions for effective operation of free markets in media services – competition and access, protection of consumers, stimulating innovation and expansion

State-regulation relies on the power of laws for control, commonly adopted in broadcasting. This may not be the best form of regulation for Internet, online media.

State- / Direct-Regulation Overview

State Regulation or Direct Regulation is a strict form of legal control where the regulated bodies e.g. industry members, consumers, are to obey by the laws. There is an idea of control by a superior body with directive function.

Industry members have low flexibility.

Regulatory interventions are negatively perceived.

Regulation is limited to national scope.

Freedom of Expression is limited.

Basic Models of Media Regulation	Focus of Regulation	Broadcasting (Radio and Television) <i>State-Regulation</i>	Print Media <i>State-Regulation?</i>	Online Media <i>State-Regulation?</i>
	Structure	High	Low	Low
	Infrastructure	High	None	High
	Distribution	High	Low	None
	Access	High	None	None
	Conduct	High	Low	None
	Content	High	None	None

Internet is an international medium – not owned solely by any country or fall under any single jurisdiction. Thus, it is difficult to make accountable. This calls for a rule which could govern this internationally.

Freedom of expression is the basic human rights which shall be protected. Here, a regulatory mechanism that has high flexibility is more favorable than state-regulation.

Why should Freedom of Expression be protected?



1.

Constitutive Rationales

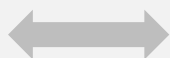
“These are based on the recognition that freedom of expression matters because human beings matter, irrespective of whether or not their views are correct, true or valuable in any ultimate sense.”

2.

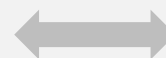
Instrumental Rationales

“These are based on the recognition that freedom of expression leads to something valuable – that having freedom of expression advances important goals.”

Equality



Dignity



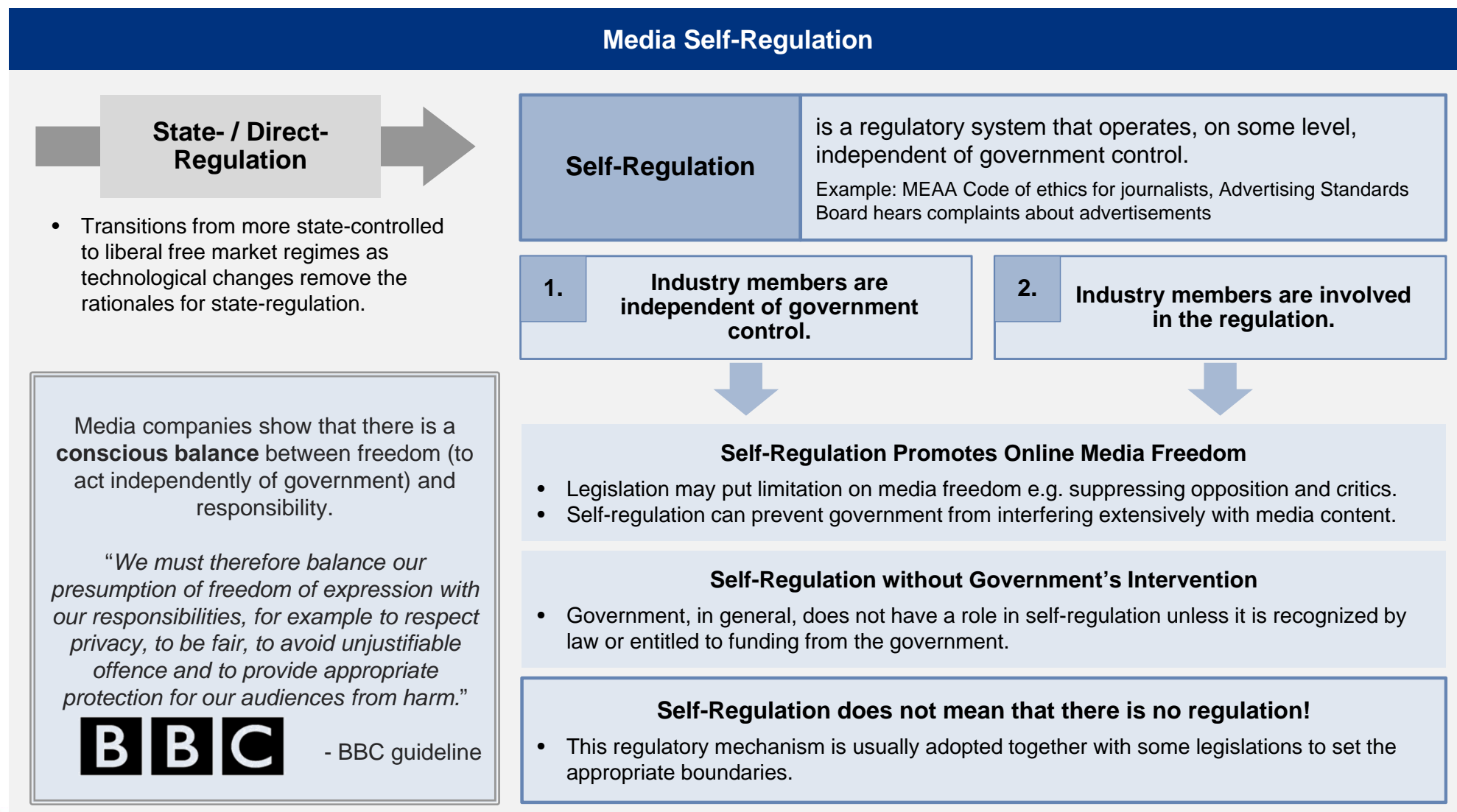
**Autonomy and
personality**



State-regulation imposes strict controls without much flexibility which limits the freedom of expression.

Source: *The Role of Media and Press Freedom in Society*

Self-regulation encourages industry members to voluntarily take responsibility with the flexibility of being independent from government control.



The UK Internet Watch Foundation is a successful case of self-regulation where industry actively participates in taking down illegal content from UK servers within one hour.

The Successful Case of the UK Internet Watch Foundation (IWF)

How the IWF operates

Illegal content taken down within 1 hour

Potential criminal content detected by industry

Industry shares content information with police

Police collects all data required for investigation

Industry immediately removes content

Police organizes criminal investigation and next steps

Reasons why self-regulation work for IWF

Able to react to changes in the online environment very fast

Extensive support from industry - allowing IWF to operate with only 20 staff

More trusted than the police

Self-regulation protects industry's self-determination - arbiter between state objectives and user demands

IWF Background

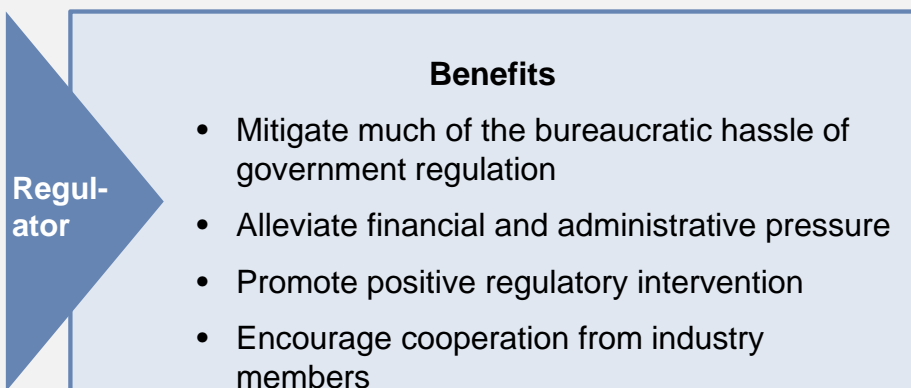
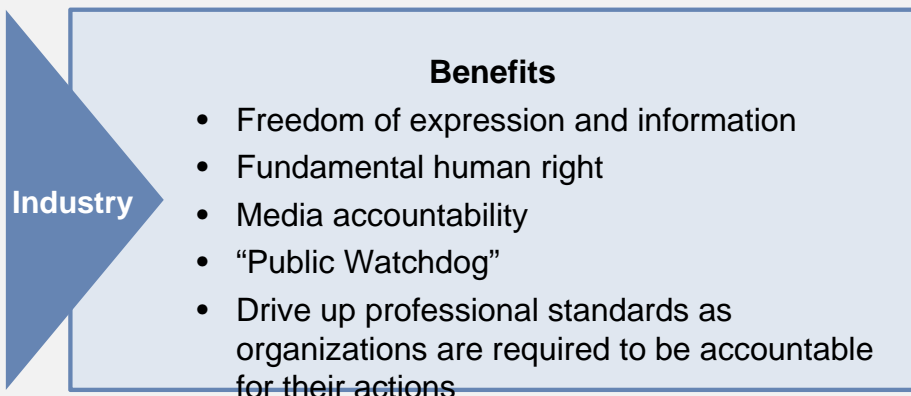
- The IWF was set up in 1996 by the online industry to deal with child sexual abuse content (CSAC) or child pornography.
- The IWF operates as an independent body with responsibilities to receive, assess and trace complaints from the public about child sexual abuse content.

Accomplishment

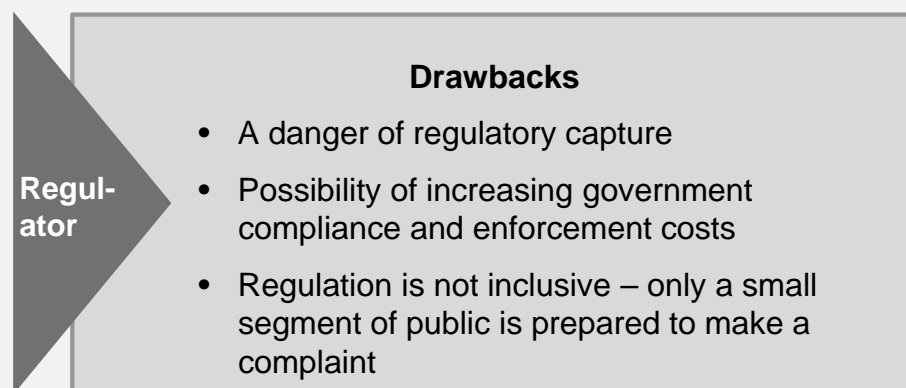
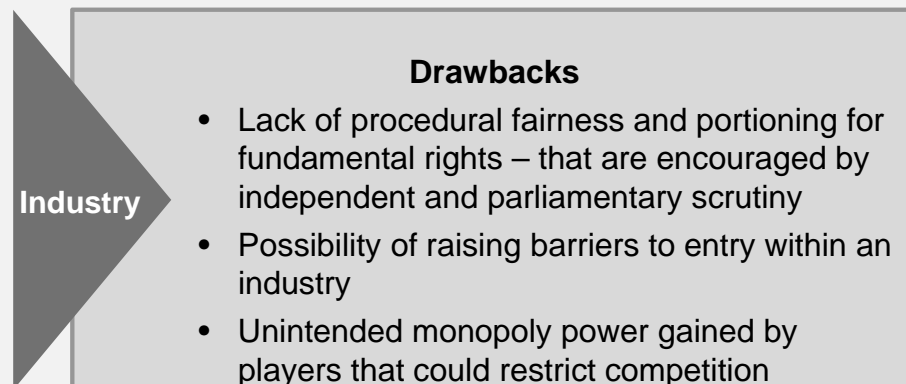
- Had 5 funding members and about 1,300 reports processed in 1st year
- Had 100 members and nearly 42,000 reports were processed in 2011
- Significant reduction in content hosted in the UK (from 18% in 1996 to under 1% now)

Self-regulation can effectively support freedom of expression while reinforcing sense of accountability without high regulatory costs. However, it still faces some compliant risk.

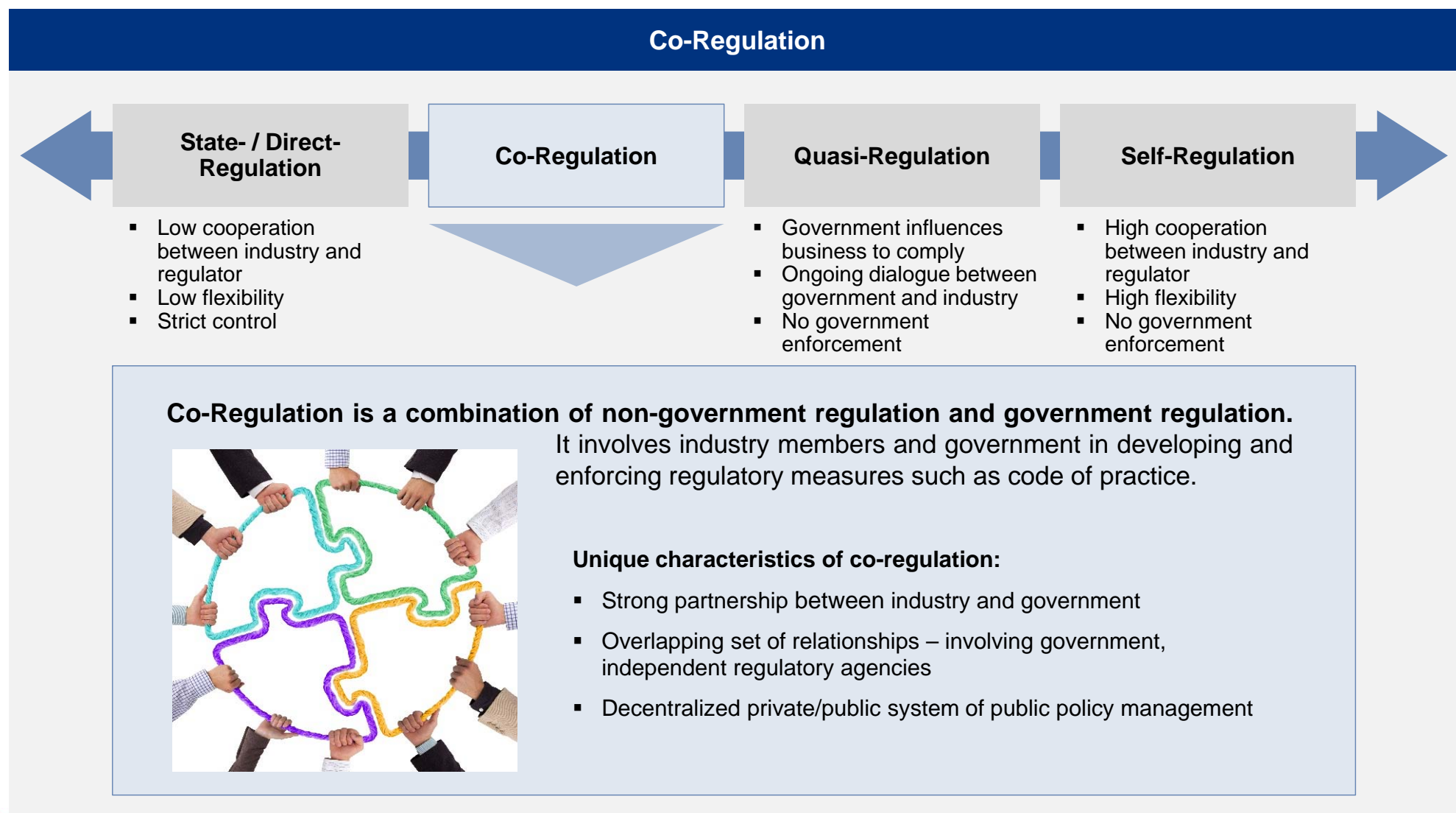
Benefits of Self-Regulation



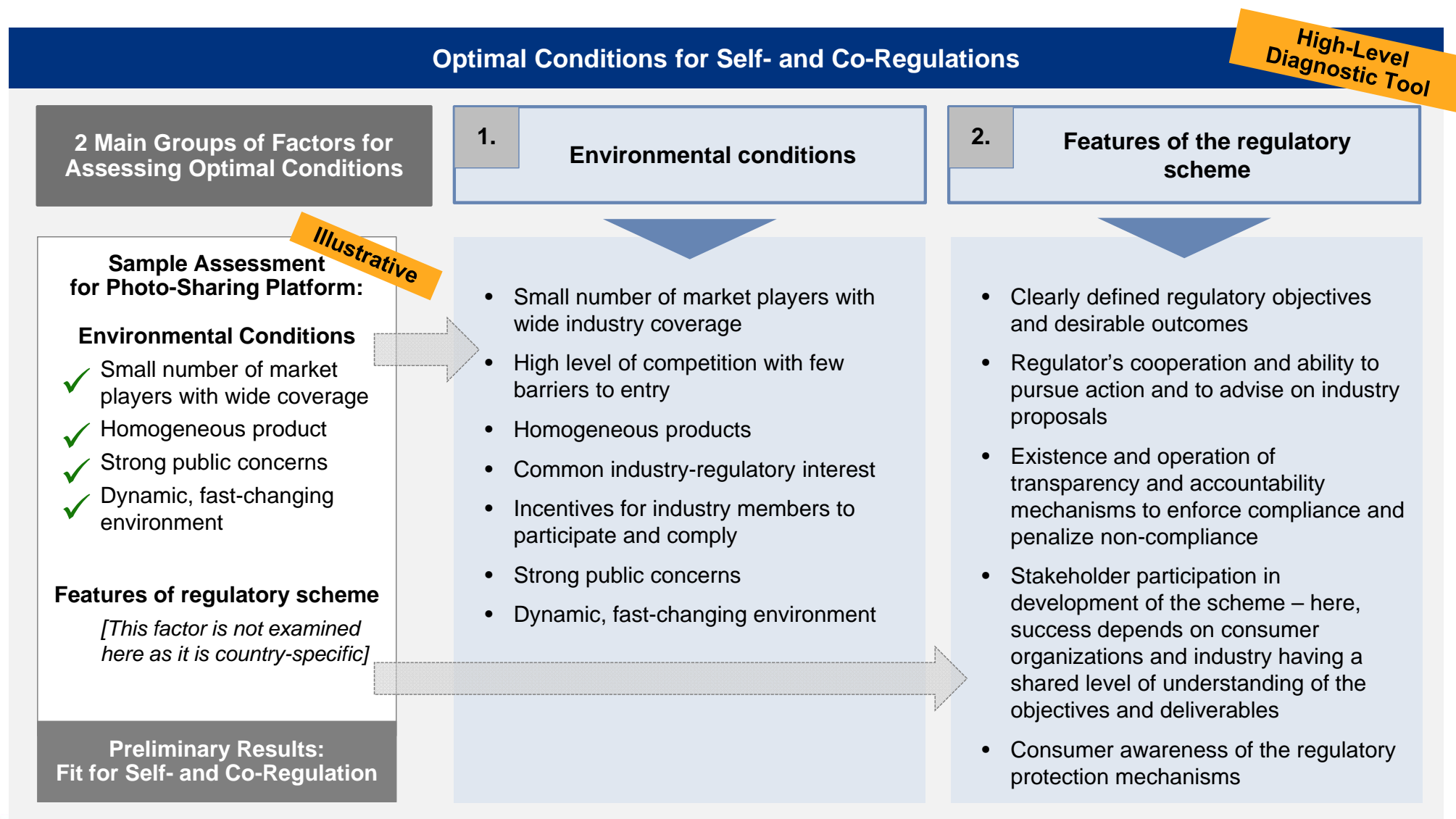
Drawbacks of Self-Regulation



Co-regulation provides a balance between having the strict control from government enforcement and having the freedom and flexibility from self-regulation.



The Optimal Conditions framework provides preliminary indication whether self- and co-regulation will be effective. Online media, in general, is suitable for such regulation.



Source: ACMA



The case of YouTube indicates that video-sharing websites have the right conditions for self-regulation scheme. Common interest and incentives to cooperate exist.

Checking Feasibility of Self- and Co-Regulation – YouTube



Context

- Social media platform for video-sharing
- Regulation of online content

Key Assessment Factors

- Industry interest and incentives to participate and comply
- Transparency and accountability

Actions Taken by YouTube

- YouTube faces issues relating to inappropriate content e.g. violence, sex, drug use
- YouTube has taken self-regulatory mechanism and requires users to agree to its guideline upon signing up to the service.
- YouTube developed tools for users to notify inappropriate content or to flag content which is to be reviewed by YouTube for compliance

Why is this successful?

- There is an alignment between public interest and self-interest in managing content of YouTube.
- YouTube has commercial interest which incentivizes it to promote appropriate online content on its website to maintain a good reputation.
- Video-sharing websites are in a fast-changing environment – self-regulation is more favorable than state-regulation

Outlook

- The global coverage level of Internet still causes regulatory challenge as the content issues become multi-jurisdictional.
- This causes challenges in implementing standards for appropriate content assessment.
- Online content can be easily and rapidly duplicated and shared, making it difficult to control the distribution and access.



Thanks for your attention

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