

Culture-Medias & Digital
Economy

Innovation in network
industries

Master IREN

Publications



Editorial



After having taken its position of Titular Professor of the Innovation and Regulation in Digital Services, on October 1st, 2010, Tommaso Valletti proposed a research programme for the Chair : on the one hand on the concept of investment ladder in the field of the high speed networks, and on the other hand, on the concept of Net neutrality.

Two post docs, Frago Kourandi and Mattia Nardotto joined the Chair to contribute to these research projects. Frago has a PhD in Economics from the Athens University of Economics and Business and she is an expert in theoretical models of vertical relationships between firms. Mattia holds a PhD in Economics from Bologna University and specialized in empirical behavioural economics.

Tommaso, joint with Marc Bourreau at Telecom ParisTech, is organising a 2-day international conference on Information and Communication Technologies Economics, September 30-October 1.

5th day on Economics of Culture and Communication

CULTURE-MEDIA & DIGITAL ECONOMY: new questions on competition

The Studies, Forecasting and Statistics department, Ministry of Culture and Communication, the scientific interest group "Culture, Media & Digital" and the Innovation & Regulation Chair, organized on 8 February, the 5th Day of the Economy of Culture and Communication on the "New questions on Competition (s)".

More than 400 people attended the conference, involving professional, regulators and researchers in economics and competition law. They presented their analysis on mutations related to digitization and have tried to study solutions and prospects for sustainable future in the field of culture.

Hosted by the Centre Georges Pompidou and **Alain SEBAN**, its Chairman, the work was introduced by **Frederic MITTERAND**, the Minister of Culture and Communication, who immediately raised the central question: "How to think collectively about the way the digital revolution reconstructs the economic environment? ».

In her presentation, **Anne PERROT**, Vice-President of the Competition Authority addressed three background issues:

- Vertical integration resulting from the control of the entire

value chain by a single player or the conclusion of exclusive contracts. Such exclusivity can bind the players at different levels of concentration thereby causing a situation of vertical foreclosure.

- New challenges with two-sided markets. It is related to particular structural problems for platforms (Facebook, Google, Apple...).

- The question of regulation in a digital world.

A first round table chaired by **Laurence FRANCESCHINI**, Director of Media and Cultural Industries at

the Ministry of Culture and Communication, was dedicated to "Exclusive agreements: cultural and media content, bearer and transport services".

If the competition of cultural offerings seems to have led to a greater diversity and to diffusion of well-stocked catalogs, it remains, in addition to the issue of piracy, two important issues to address: access to distribution channels for consumers on one side, and the editors on the other.



Frédéric Mitterand
Minister, Culture and Communication

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Keynote speakers will be Alessandro Acquisti (Carnegie Mellon) who will talk about privacy and Luis Cabral (NYU) who will present his work on network dynamics.

Tommaso declare that he feels happy to work with the team of the Chair and specifies, "As I am located at TPT, I also discovered the area Butte-aux-Cailles that I did not know before. It is a village-like oasis featuring quirky restaurants, cafes, and art deco architectural heritage. It has a throwback Paris ambiance that makes my frequent visits from London, where I am based, very, very pleasant."

Tommaso is Professor of Economics at the Imperial College.

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...5th day on Economics of Culture.

Antoine de TARLE, Chairman of Editions Ouest-France addressed these issues from the press point of view, highlighting the need for better coordination of the players of the press industry to carry out a common negotiating position with Internet giants.

Xavier WAUTHY, Professor at the Facultés Universitaires Saint-Louis in Brussels developed the theoretical aspects of the platform market and vertical integration.

Pascal WILHEM, a lawyer with Wilhelm & Associates, discussed the forms of exclusivity in the relationship eligible parties / TV publishers, in the relationship publisher / distributor and finally, the exclusive access to content and transport.

Emmanuel FOREST, Deputy CEO of Bouygues Telecom insisted on the role of technology and the need to meet the conditions for profitability.

A second round table was chaired by **Igor PRIMAULT**, deputy Director of multimedia and technical industries - Head of technical industries and innovation of the *Centre national du cinema et de l'image animée*, on "Aggregation, referencing and info-mediation. »

Franck REBILLARD, Professor of Information Sciences and Communication at the Paris III University, proposed a theoretical framework of the "de-intermediation" and "re-intermediation" phenomena at work in this area and developed the issue of "coopetition", between cooperation and competition, for the "information intermediaries" and the content publishers.

Jean-Paul SIMON, researcher at the Institute for Prospective Technological Studies (IPTS) of the European Commission's Joint Research Centre (JRC), addressed the issues in the video game industry and illustrated the new technical intermediation, especially for on line games with which the reorganization of the value chain is sped up.

Echoing the theme of new forms of intermediation, **Laurent SORBIER**, Director General of Myskreen.com, has sought to clarify the role of aggregators in new markets, particularly the on line video.

Finally, **Jeremy MANIGNE**, Director General, Innovation, Services and Content at SFR, sought to clarify the role of telecommunications operators in the new modes of content delivery, especially in face of "multi-screen" consumption practices. He concluded that operators want to participate in the value creation as long as all players are subject to the same competition rules.

The third round table was chaired by **Jean-Philippe MOCHON**, Head of the Legal and International Affairs - Ministry of Culture and Communication on "The Digital Revolution and the relevant markets".

Marc LEBOURGES, Director, Europe Economics and Regulatory Affairs, Orange Group, looked at the digital markets facing infrastructures geography, the balance between regulation and technology dynamism. He addressed the issue of the relevant markets in terms of access to incumbent operators' networks. These relevant markets are often abstract categories and the Authorities should take greater account of the observable facts to look at the concepts feeding their decisions with a critical eye.

Frédéric MARTY, Head research at CNRS, questioned the division of roles between competition policy and sectorial regulation in the context of digital convergence.

Facing the risk of market foreclosure and difficulties to implement competition rules in emerging markets, what tools to be implemented?

Maxime LOMBARDINI, Chief Executive Iliad-FREE, called for strengthening the role of competition authorities in a market where the opposing forces are not balanced. He also considered that regulation is an impediment to innovation if it did not take sufficient account of technological evolutions, and is more suited to the products of the past to those of the future.

Olivier SAUTEL, Micro-Economix consultant and research associate at the OFCE, analyzed the practices of competition authorities regarding the digital revolution. The analytical framework of competition authorities is questioned, he said, to the extent that digital convergence makes it more difficult to define a product or a competitive position, and to measure the impact of business practices and anticipation of their success. Therefore, this makes a more complex approach of relevant markets.

Thierry PENARD, professor of economics at Rennes-I University, discussed the need to find a balance between all stakeholders (eligible parties, access suppliers, consumers ...) which requires an optimal sharing of the value. This discussion is based on the features of the models in the content market: access points, prices, hacking, and distribution of value.

This 5th Day of economics of culture and communication were closed by **Emmanuel GABLA**, Member of the *Conseil Supérieur de l'Audiovisuel* and **Valerie VESQUE-JEANCARD**, Director - Deputy Secretary General of Ministry of Culture and Communication.

Find all the presentations on the website of the Chair: innovation-regulation.eu

Innovation in Network Industries: Accounting, economic and regulatory implications

The workshop organized by the Innovation and Regulation Chair, Paris, 16 March 2011 was devoted to integrate the economic analysis of network industries with accounting, law and economics.

The first panel explored the role of accounting structures in innovation corporate processes. **Y. Biondi and P. Giannoccolo** presented a heuristic model based upon complementarities, coopetition and intangibles to analyze these processes, with implications for antitrust regulation, costing and pricing. **G. Marzo** further clarified this role by exploring accounting notions and methods concerned with intangible resources related to knowledge and innovation from the perspective of several theories of the firm, including the firm as an entity. In this context, **A. Arlandis and S. Ciriani** analyzed the telecommunications industry by functional layers, with specific attention to operating margins, and investments in R&D and innovation, by geographical location and allocation between Europe, Asia, and USA.

The second panel approached industrial dynamics of coordination and innovation from the viewpoints of the regulator and the judge, through an institutional comparative analysis between France and USA. **F. Marty** compared antitrust decisions in these countries by analyzing cases of dominant position abuse and margin squeeze. **Th. Kirat** compared judicial decisions concerned with litigations on costing and pricing in public procurement cases.

The third panel discussed recent trends in telecommunications industry. **F. Lirzin and S. Reiche** elaborated three scenarios for internet (integration and segregation of corporate networks; market organization of them; free and open access), and their implications for social and economic regulations. **R. Lilia and D. Flacher** analyzed tariff complexity in telecommunications offers and its implications for consumer welfare and competitive analysis, through an empirical application to Tunisian case.

The fourth and last panel approached innovative investment processes in network industries. **Ch. Mueller** developed a comparative international analysis of notions, methods and practices of incentive tariff-making of these processes in energy sector, with specific attention to the German case. **M. Feizi** presented a simultaneous (à la Nash) and sequential (à la Stackelberg) game-theoretical model of the game between regulating Authority and regulated firm on tariff-making and updating over time.

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Presentations available on the Chair's web site:
innovation-regulation.eu

Coming Events

On 30 September and 1 October 2011, the I & R Chair organizes in Paris, on the premises of Telecom ParisTech, an international conference on the economics of information and communication technologies. This is an academic conference to be held in English and that will bring together researchers from universities in Europe and North America.

Information and registration:
<http://ses.telecom-paristech.fr/econict/>

On November 3, 2011, a conference will be dedicated to digital multi-channel distribution issues: managing store and online sales channels and their respective business models. This conference will be held in Paris on ENSTA premises

Finally, December 13, 2011, continuing his work on the e book and on economics of content, the Chair will organize a one day seminar on the press in the digital economy.

Master « Network industries and digital economy »: 2011-2012 academic year

The master IREN (Network industries and digital economy) just recruited its third class 2011-2012. We asked four students of the 2010-2011 class to briefly comment their experience:

"Trained at Supelec as telecommunications engineer, I chose to follow the Master IREN in order to improve my understanding of the digital world on the economics, innovation and regulation aspects. So, thanks to a high educational quality, I could understand the dynamics and the multiple challenges of the market for new technologies, especially in telecommunications. This knowledge served me directly for my internship as economics engineer. In addition, the diversity of courses for specialization, added to the variety of student profiles, also promote an interesting dialogue on cross-fields. I just- once enjoyed the Master and fond memories." HM D. (Vietnam)

"I am responsible of strategic marketing for an energy multinational company. I followed the training provided by this Master to deepen my knowledge, to acquire theoretical and practical tools on a set of new topics (digital networks, information technologies) with the objective to be able to implement them quickly. Successful deal. The levels of knowledge of our teachers, their desire to accompany us and pass on their knowledge are undoubtedly the key to this success of the Master. I'm going back working in a company, surprised by the relevance of methods and knowledge that I could use ... I recommend this Master" K K. (France)

"The analysis of the complexity of an ecosystem that promotes innovation is very delicate. The master IREN allowed me to better understand this complexity and to think about a personal position in

a society where ICTs are redefining the relationship between citizens and government." JT P. (Guatemala)

"The Master allowed me to get skills in economics and innovation, and understand the issues and problems related to network industries (telecommunications and energy). He gave me opportunities to get an internship at the Marketing Strategy of a large network company and make me able to exploit the achievements of the courses on strategic issues. In short, the Master has given me the tools on economics and regulation to think differently on current topics. And I emphasize this point that the subjects we address, and the debates we are part of, are on current topics." N S. (Lebanon)

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Publications

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