
Competition and Regulation in Telecommunications

Examining Germany and America

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edited by

J. Gregory Sidak

American Enterprise Institute
for Public Policy Research

Christoph Engel

University of Osnabrück

Günter Knieps

University of Freiburg



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CONTRIBUTORS

CHRISTOPH ENGEL directs the Max-Planck-Project Group on the Law of Common Goods at Bonn and is professor of law at the University of Osnabrück.

JERRY A. HAUSMAN is the John and Jennie S. MacDonald Professor of Economics at the Massachusetts Institute of Technology.

GÜNTER KNEIPS directs the Institute of Transport Economics and Regional Policy and is professor of economics at the University of Freiburg.

PAUL W. MACAVOY is the Williams Brothers Professor of Management Studies at the Yale School of Management.

WERNHARD MÖSCHEL is chairman of the Monopoly Commission of Germany and is professor of law at the University of Tübingen.

J. GREGORY SIDAK is the F. K. Weyerhaeuser Fellow in Law and Economics at the American Enterprise Institute for Public Policy Research.

FOREWORD

This volume brings together academic economists and lawyers to evaluate and compare the regulation of telecommunications markets in Germany and the United States. The unifying theme in all of the papers is that the goal of public policy in this area should be to make the broadest and most functional competition possible by means of an appropriate regulatory framework. Because the European and American telecommunications markets are becoming more intertwined each day, the issues addressed in this volume will be topical to the business, government, and academic communities for some time.

For the chairman of the Monopoly Commission, Wernhard Möschel, the opening of the German telecommunications market has been successful in principle. This is clearly recognizable in the case of the competition in long-distance transport. Based on the view that the regulatory authority should make itself obsolete, Professor Möschel advocates an incremental review and gradual reduction of regulation. Professors Christoph Engel of the Max-Planck-Project Group on the Law of Collective Property, and Günter Knieps, Director of the Institute of Transport Economics and Regional Policy at Albert Ludwigs-Universität Freiburg, emphasizes that Germany's Telecommunications Act provides not only for service competition in the Deutsche Telekom networks, but also for network competition. According to them, asymmetrical regulation carries with it the risk of the subsidization of inefficient competitors and technologies. They argue that the regulatory goal of "infrastructure competition" is frustrated by regulated interconnections below cost. Asymmetrical regulatory directives that unilaterally hinder infrastructure competition create the wrong incentives on a long-term basis. According to Professors Engel and Knieps,

the goal must be specifically to create incentives for infrastructure investments by market newcomers.

J. Gregory Sidak of the American Enterprise Institute, Paul W. MacAvoy of Yale University, and Professor Jerry A. Hausman of the Massachusetts Institute of Technology note the dangers of aberrant economic policy developments as a result of incorrect regulatory decisions. According to them, access by competitors to portions of the network requires that these companies share appropriately in the investment risks of the network operator. In addition, Mr. Sidak and Professors MacAvoy and Hausman argue that unbundling directives should be limited to truly “essential facilities.” Otherwise, they reason, new providers will lack the incentive to invest in the construction of their own networks.

The publication of these papers will make important research accessible to a broad audience on both sides of the Atlantic, enrich the public discussion, and thereby contribute to the continuing development of public policy in the dynamic area of telecommunications.

J. GREGORY SIDAK
CHRISTOPH ENGEL
GÜNTER KNIEPS