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TOWARDS SMARTER REGULATION OF INNOVATION?

Abstract:

The paper assesses the scope of current regulation in the electronic communications sector in a period of rapid technological changes. It explores the network operator's dilemma how to deal with investments in innovation in a time where fundamental innovation comes from outside; and the regulator's dilemma how to improve the conditions for access to financial resources for research and innovation. The contention is to look whether different regulatory tools, such as proactively enhancing interoperability levels, subsidies and standardization measures could complement or supplement existing measures to safeguard competition. In terms of interoperability, two cases are discussed: IP connectivity and broadband access. The focus will be on measures proposed by the Commission in 2015 for the achievement of the Digital Single Market: what is the right track: does yardstick regulation imposing price-caps still work. The road to achieving more incentive regulation appears to be bumpy as well and reorganizing the level playing field does not appear to be a viable regulatory option.

Some thought is given to how infrastructure sharing and other long-term contracts could form an alternative for regulation.

A mix of regulation is proposed to move towards smarter electronic communications networks.

Keywords:

Interoperability, innovation; standardization; connected continent; IP connectivity; broadband access; incentive regulation; deregulation

JEL Classification: K00, K23, K33