

INTERCONNECT

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VIVA ITS!

ITS European Regional Conference in Madrid a Hit with Delegates



Over 120 delegates, representing 22 countries, experienced the old and the new at the ITS 13th European Regional Conference held in Madrid, Spain, September 8-10. Hosted by the Spanish Ministry of Science & Technology and University Carlos III, the conference was in association with the 29th EARIE conference September 5-8.



Day 1 of the conference featured joint program offerings between EARIE and ITS at the new University Carlos III campus, just outside Madrid. There were 10 sessions featuring 40 technical,

strategic and regulatory papers, reflecting the complementary mix of EARIE and ITS participants. Officials from both organizations found the interaction fruitful and the joint sessions beneficial to presenters and delegates.

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Message from the Chair



Dear Members,

It's a good feeling to know that ITS is one of the organizations to survive the current crisis affecting the telecommunications industry, not to mention ancillary service providers such as auditors, investment analysts and consultants. At our recent biennial conference in Seoul, South Korea, telecom managers were outnumbered two to one by regulators and academics.

That isn't necessarily bad, but I remember my first Italian boss telling me that all I really needed to know about telecom economics was contained in a thick green book – the so-called Ma Bell Bible – “AT&T Engineering Economy: A Manager's Guide to Economic Decision Making,” and that I shouldn't leave home without it!

The founding father of deregulation, Chicago economics professor and Nobel Prize-winner George Stigler, was known to say that there were hardly any American-educated economists not on Ma Bell's payroll, or who weren't published in the *Bell Journal of Regulatory Economics*.

Back then, ITS was largely a North American and Japanese society, trying to expand into “fortress Europe” where power-sharing PTIs held sway.

Now, ITS, still non-profit, still independent, and still self-supporting, is run by and for members. ITS members can now renew their membership and register on our website, www.itsworld.org. We all exchange information instantaneously and more intensely, with electronic meetings and Board elections. We have now advanced to where a listserv ITS discussion group is being established.

Today's ITS members are truly a global and multidisciplinary lot. Many are eager globe-trotters,

too! At the ITS Regional European conference in Madrid, I met a pair of Sari-clad regulators who had traveled from India. One participant was a professor who teaches in Mongolia.

Madrid conference organizers, Professor Teodosio Perez-Amoral, Fernando Gallardo, and Juergen Mueller, should all be very proud of their successful event. The conference content and research paper proceedings were as laden with models and demand-analysis equations as that thick green Ma Bell Bible. Yet thanks to modern information society technologies, these days you actually can carry all the megabytes of conference information back home in your pocket.

The Rector of the Madrid University, Professor Perez Amaral and his wife (also an economics professor) invited me to the inauguration of the very first academic library in Spain devoted to telecommunications economics, in memory of Jose Alberto Blanco Losada. Many Spanish dignitaries, including two ambassadors and his wife, widow Dagmar Blanco Losada, were at the ceremony.

Calls for Papers will soon be going out, inviting researchers to submit papers for the Asia-Pacific ITS Conference, organized by Gary Madden, at Curtin University, Perth, Australia, June 23-25, 2003, as well as next August's ITS European Regional Conference, to be held in conjunction with EARIE (European Association for Research in Industrial Economics) in Helsinki, Finland, August 23-24, 2003.

I wish to thank all the individuals and corporations who have renewed their support to ITS. Thanks also to Suzanne Chambliss Neil, our dedicated ITS Secretariat, guardian of the ITS database and prolific membership-drive letter-writer.

*Loretta Anania
ITS Chair*



For the second day of the conference, ITS activities moved to the old Postal Ministry Building in the heart of Madrid. Welcoming dignitaries included Josep Piqué, Ministro de Ciencia y Tecnología; Elisa Robles, Vice President Comisión Nacional de Mercado de las Telecomunicaciones (CMT); Alvaro Escribano, Decano Ciencias Sociales of the University Carlos III, and Enrique Gutiérrez, Decano-Presidente del Colegio Oficial de Ingenieros de Telecomunicación.

Also participating in the Opening Ceremonies were Loretta Anania, ITS Chair; Conference Coordinator Juergen Mueller, Berlin School of Economics; Teodosio Pérez, Universidad Complutense de Madrid, and Fernando Gallardo, Universidad Autónoma de Madrid.



There were 20 more sessions highlighting 70 additional papers. While the emphasis was clearly on regulation, there were also interesting presentations on broadband networks, convergence, and new mobile services. A special session on demand studies was dedicated to the late David

Cracknell, former ITS Vice Chair and long-time Board member.

Conference papers can be found on the web at **ITSEurope.org** or by ordering a CD through ITS.

Loretta Anania opened a new

Telecom Library at University Carlos III in honor of Jose Alberto Blanco Losada who had been

instrumental in coordinating a previous ITS biennial conference in Seville and who was responsible for Telefonica becoming an ITS Global corporate member.

Social activities included a welcome and a small feast of tapas at the Plaza St. Ana in old Madrid, as well as an



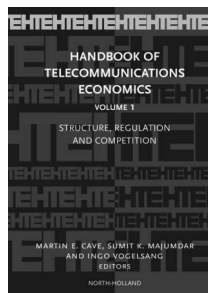
exploration of the area's more famous restaurants and never-ending nightlife. There was also a social evening that featured flamenco dancing and other entertainment.

The conference was closed by Tom Bjoerkroth, from the Abo Academy in Finland, who invited everyone to the next ITS European Regional Conference in Helsinki, August 23-24, 2003.



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Structure, Regulation and Competition

Edited by

M. Cave, *University of Warwick, UK*

S. Majumdar, *Imperial College of Science, Technology and Medicine, London, UK*

I. Vogelsang, *Boston University, MA, USA*

This volume provides detailed reviews and commentaries on contemporary changes in the landscape of a major industry from an academic perspective, yet in an analytical manner that will be appreciated by a wide audience of academics and professionals with an interest in the telecommunications industry. The contents are set out in three main sections.

Section 1: Structure. 2. Historical overview (*G. Brock*). 3. Network effects (*S. Leibowitz, S. Margolis*). 4. Customer demand analysis (*L.D. Taylor*). 5. Econometric cost functions (*M. Fuss, L. Waverman*). 6. Representation of technology and production (*W.W. Sharkey*). **Section 2: Regulation.** 7. Price regulation (*D.E.M. Sappington*). 8. The theory of access pricing and interconnection (*M. Armstrong*). 9. Interconnection practices (*E. Noam*). 10. Universal residential telephone services (*M. Riordan*). **Section 3: Competition.** 11. Competition policy in telecommunications (*D.F. Spulber*). 12. Competition in the long distance market (*D. Kaserman, J.W. Mayo*). 13. Mobile telephone (*J. Hausman*). 14. Spectrum auctions (*P. Cramton*). 15. Local network competition (*G.A. Woroch*). **Subject index.**



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ITS Secretariat Moves to the U.S.

Suzanne Chambliss is the new head of the the ITS Secretariat, now located in the United States. Suzanne's role with the Secretariat is a homecoming of sorts, as she set up the first ITS database fourteen years ago while a graduate student in Cambridge, Massachusetts, USA, at MIT.

Many current members of the ITS Board of Directors were also very active in the Society at that time. Suzanne remembers working with Jim Alleman, Alain de Fontenay, Juergen Mueller, Karl-Heinz Neuman, Sue Simon, Naomi Wachtel, and Glen Woroch, to name a few.

Specializing in technology policy and in international relations, Suzanne



presented a paper on the problems of developing an HDTV standard at the ITS Biennial Conference in Cambridge. The paper lead to her subsequent dissertation on state roles in the development of a new technology, with a case study of HDTV.

She subsequently helped found a research program on communications policy at MIT. While in Cambridge, Suzanne worked on technical standardization, particularly in international arenas.

She also addressed computer communications issues in education, both at MIT and as a consultant to the World Bank and Bolt Branek & Newman (BB&N). More recently, Suzanne moved to Maine, where she consults in

international technology regulation, technology development, and education.

When not working, Suzanne loves traveling, especially to Europe or Africa. She enjoys singing, bicycling around St. George's peninsula, cooking, playing her cello, and spending time with her dog, Emma.

Suzanne will now be the first point of contact to ITS, responding to inquiries, distributing information, and promoting the Society. She is also responsible for administrative matters pertaining to ITS and will act as support for the Board, as well as the Executive Committee.

Suzanne can be reached at chambliss_neil@yahoo.com and the new Secretariat address is

329 Wallston Road
Tenants Harbor ME 04860
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ITS to Hold Asia-Australia Regional Conference in 2003

ITS will hold its first Asia-Australia Regional Conference June 23-25, 2003, in Perth, Australia. The conference theme will be M-Business, E-Commerce and the Impact of Broadband on Regional Business Prospects.

Prospects for the ICT industry remain strong, despite the recent downturn in the equipment sector. Packaged software markets remain among the strongest worldwide. Growth in B2C e-commerce markets continues to increase.

The ICT sector will play a significant role in this recovery. Falling costs and technological developments will underpin continued growth in demand for new broadband-delivered services. To prosper and grow, companies must better market to customers, analyze demand, control costs and forecast. Such efforts require knowledge of customers, competitors, markets, and a fundamental understanding of emerging technologies and their applications.

The ITS Asia-Australia Regional Conference will provide an ideal forum to discuss and synthesize these issues with research and business practice presentations by academics, regulators, professionals, and business analysts covering communications and e-markets, emerging technologies and their applications, market forecasts, and demand analysis.

The conference will have the following distinct tracks, for which papers are invited:

Track I: Business Studies, Forecasts, Pricing and Market Analysis

Track II: Applications, Content and Product Developments

Track III: Business Strategy, Technology and Interconnection

Track IV: Policy and Regulation

Track V: The Development Imperative

Papers on subjects touching one or more of these themes should not exceed 5,000 words (approximately 15 pages, double-spaced). A separate cover sheet including the title of the paper, the author(s) name(s) and affiliation(s), and the address (including e-mail, telephone, and fax) to which correspondence should be addressed, should be forwarded separately from the main paper. Papers should be sent electronically in MS Word, postscript, or PDF to Michael Schipp at schippm@cbs.curtin.edu.au. All submissions must be received by April 6, 2003.

Important Dates

April 6, 2003: Submission of papers and tutorial proposals

May 6, 2003: Notification of Acceptance/Rejection

June 23-25, 2003: ITS Asia-Australia Regional Conference

ITS Global Reach Touches Mongolia

ITS welcomed its first-ever delegate from Mongolia at the 13th Annual European Regional conference in Madrid, Spain. Kwan Young Kim, Assistant Professor of Telecommunications Economics at the Huree Institute of Information and Communications Technology, traveled from Ulaanbaatar, Mongolia, to present a paper on "A Management Strategy of Bidding Intention on Web-Based Auction Sites."

Kim stated that he was warmly welcomed by his ITS hosts and was honored to be the first delegate from Mongolia, even though his nationality is South Korean. "Our university is the only ICT-focused educational research institute in Mongolia," he said. "Huree University plans to expand the study of communications and information technology."

This will happen partly through a grant from the Bill & Melinda Gates Foundation and with the assistance of an Australian University. Kim predicts that Huree ICT will become a global university. "The ITS conference in Madrid contributed a great challenge to research and study through the high-level presentations of research papers from so many internationally respected speakers."



Kwan Young Kim

ITS and IDATE: A Strong Partnership

ITS is proud to work with the Institut De l'Audiovisuel et des Télécommunications en Europe (IDATE), one of the premier centers for debate and analysis of telecommunications, Internet, media industries, and communications markets.

Specializing in, but not limiting itself to, European issues, IDATE leads a number of initiatives, including a forum that furthers debate and exchange among the players in these domains. ITS actively participates in IDATE's annual conferences.

IDATE publishes *Communications & Strategies*, which is also the ITS journal. Embracing academic research, this quarterly publication provides sound socio-economic analysis covering the major issues facing the communications industries.

Edmond Baranes, Professor of Economic Sciences at the Université

de Montpellier I, has been IDATE's Scientific Consultant since January, 2002. He is the editor-in-chief of *Communications & Strategies*, oversees the internal research program, and represents IDATE within various academic networks.

Professor Baranes has his Doctorate in Economic Sciences (Université Paris I Panthéon-Sorbonne, 1996). His dissertation was "Network Rate Policies, Distinction Strategies and Competition: the Telecommunications Example."

IDATE has succeeded in making its annual international conference one of the key opportunities in Europe to obtain a comprehensive view of technical and regulatory changes around the world and to discuss industrial strategies. The event offers the chance to meet with directors of leading telecommunications, IT, and audio-visual firms, as well as researchers, academics, and policy

makers. This year the conference is being held November 20-21 in Montpellier, France.

Teams of IDATE consultants and analysts work with global vendors, operators, service providers, media companies, investment banks, management consultants, regulators, government agencies, and other industry bodies. IDATE consultants conduct numerous missions and analyze global markets and strategies of the key players in the IT and communications sectors. They also publish reference studies throughout the year.

Top-flight seminars are offered to IDATE members, and every month leading business representatives from within the membership are brought together as the IDATE Club. *DigitWorld*, the annual report published by IDATE, offers overviews of the state of the digital world and analysis of current strategies.

More information on IDATE and its activities is available on the IDATE website, www.idate.org.



Edmond Baranes



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Leading Edge

At the recent ITS conference in Seoul, Eli M. Noam, Professor of Economics at Columbia University in New York and Director of the Columbia Institute for Tele-Information, was featured in a plenary session in which he presented his paper, "How Telecom Is Becoming A Cyclical Industry, And What To Do About It." His paper provoked considerable discussion among the conference participants because it addressed an important topic that had not received much attention previously.



As he has done many times before, Professor Noam was able to provide a solid analytical foundation for an important current issue. The main objective of his paper was to address the long-term lessons to learn from the recent upturn and downturn in the telecommunications industry.

Prof Noam suggested that *cyclical* will be an inherent part of the telecom sector in the future. The time of continual growth is past. To deal with the new instabilities, the most effective response by companies

and investors is to seek consolidation and cooperation. Hence, an oligopoly is likely to be the equilibrium market structure. This means that government, if it is seeking stabilization, will need to reassess a basic policy approach that has long been focused on enabling competition.

As a result, the future structure of the telecommunications industry will look a lot more like the old telecommunications industry and less like the new Internet. The profound implications of this new era of cyclical need to be addressed in future research.

Credit Card Capability for ITS

The Finance Committee has completed negotiations that will allow current and prospective ITS members to renew or initiate memberships using credit cards. ITS can now accept both VISA and MasterCard. This will allow for easier payment, particularly for those members living outside the United States.



Those wishing to use their credit cards to pay for membership can simply e-mail the application form found on the ITS web site,

www.itsworld.org. The forms should be completed, including the member's full mailing address, telephone number, fax number, and e-mail address. If the information to pay by credit card is included (credit card number,

expiration date, and name on card), the form can be e-mailed to the ITS Treasurer at lschmidt@metrocast.net.

An alternative is to copy the application form from the web site, complete the form as instructed above, and mail it to the ITS Treasurer, Leland Schmidt, 33 Alpine Drive, Gilford, NH 03249 USA. The form can also be faxed to 1-603-293-4095.

The new ITS brochures, currently being designed, will also provide for credit card payment. Of course, members may continue to pay using a check in U. S. dollars.

Request of ITS Members

In order to enhance the utility and value to ITS members of the ITS website:

www.itsworld.org, ITS members are invited to forward to Don Romaniuk, ITS webmaster, at don.romaniuk@telus.net, the addresses of any website they feel would be of benefit or value to their fellow ITS members including their personal, corporate, or organizational website as well as websites for upcoming conferences or events of potential interest to other ITS members. All addresses accepted by the ITS webmaster will be established as direct links from the ITS website.