



STUDY PROGRAMME

ECO

ACADEMIC YEAR

2019-2020

SEMESTER

2

COURSE TITLE

ECONOMICS OF EU NETWORK INDUSTRIES

COURSE PROFESSOR

JACQUES PELKMANS

COURSE ASSISTANT

DIEGO VILLAFANEZ SAGARDOY

NATURE OF COURSE

OPTIONAL

LANGUAGE OF INSTRUCTION

ENGLISH

ECTS CREDITS

4.5

1. COURSE OBJECTIVES

At the end of this course, the student will have a thorough understanding of the conceptual and practical toolbox encompassing cross-border liberalisation, competition policy and regulation developed in EU policy on network industries, highlighting their evolution and the challenges they pose from both an economic and a policy perspective.

The course will equip students with the conceptual framework – economic and regulatory, necessary to understand the role of EU network industries in the EU single market and with up-to-date knowledge of the regulatory tools deployed across them. It will therefore enable them to understand the current and the upcoming policy questions in a crucial part of the EU economy both in terms of its size and, strategically given their 'input' function in other sectors, as a key enabler of the well-being of EU citizens and businesses.

2. LEARNING OUTCOMES

At the end of this course, the student will be able to:

- Understand and analyse the EU single market for 6 important network industries, sectors with and without major 'sunk costs'
- Master the interplay between EU (cross-border) liberalisation, EU regulation and EU (as well as Member States') competition policy, serving the emergence and proper functioning



- the single market for network industries
- Appreciate and analyse the basic economics of the (emerging) single markets in
 - (i) gas & electricity, and the interaction with climate policies
 - (ii) eCommunications,
 - (iii) broadcasting and internet platforms,
 - (iv) air transport,
 - (v) rail, emphasizing freight rail services
 - Understand the rationales and basic working of quasi-regulatory Agencies at EU level in energy (ACER), eComms (BEREC), and the safety Agencies for rail (ERA), air transport (EASA) and maritime services (EMSA)
 - Participate in EU policy debates on the critical challenges and policy choices in network industries, given lingering barriers in the single market and the progress accomplished in market-based approaches (at first, quite contested)

3. COURSE CONTENTS

The course will have two horizontal sessions and eight sessions for six sectors.

The six network markets which will be dealt with during the course are:

- i. Electronic communications and the internet;
- ii. Broadcasting and the digital media;
- iii. Air transport;
- iv. Rail;
- v. Electricity; and
- vi. Gas.

The course will go considerably in-depth into the economic characteristics of network industries, and on how to introduce competition in such sectors at EU level. In different degrees this has now been accomplished in the 6 sectors. It will zoom in on the regulatory instruments employed by the Union in all six sectors, and discuss selected competition aspects such as margin squeeze, the theory of access and interconnection, mergers and their timing, and the evolution of the underlying technologies. Cases and examples will be mostly brought in by the students, after consultation with Prof Pelkmans, where relevant, as well as with Diego Villafanez.

4. TEACHING METHOD

Contact hours: 30 hours.



5. FURTHER DETAILS ON THE TEACHING METHOD

The teaching will be done in the form of lectures.

Students are expected to actively participate through presentations of small cases and debate.

Prior reading of the material, before every lecture session, is essential.

6. COURSE MATERIAL

The complete reading list will be made available on the course intranet in due time. Below an indicative list of compulsory readings:

1. Basic economics of networks and liberalisation in the EU

1.1 M.Brons, F.Kalantzis & L.Vergano (2019), Market functioning & Market Integration in EU network industries – telecommunications, energy & transport, *European Economy Discussion Papers* 111, September (DG EcFin) ; https://ec.europa.eu/info/publications/economic-and-financial-affairs-publications_en

1.2 J. Pelkmans & G. Luchetta (2013), Enjoying a single market for network industries ?, Notre Europe, *Studies & Reports* no. 95 February, see <http://www.notre-europe.eu/media>

2. Typical competition aspects in network markets

Ch. Bender, G. Goetz & B. Pakula (2011), Effective competition : its importance and relevance for network industries, *Intereconomics*, Vol. 46, special forum on 'effective competition'

European Commission, C(2018)2374 of 27 April 2018, Guidelines on market analysis and the assessment of significant market power (for telecoms), pp. 27

3. Electronic communications regulation and competition policy

A. Renda (2017), Reforming e-communications services : a critical assessment, in-depth analysis for the EP IMCO ctee, Febr.,

[www.europarl.europa.eu/RegData/etudes/IDAN/2017/595348/IPOL_IDA\(2017\)595348_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2017/595348/IPOL_IDA(2017)595348_EN.pdf)

F. Grijpink et al (2018), Network sharing and 5 G, from McKinsey & Company telecoms, February, see www.mckinsey.com/industries/telecommunications/our-insights/network-sharing-and-5g

4. Broadcasting and the Internet

M. Peitz, H. Schweitzer & T. Valletti (2014), Market Definition, Market Power and Regulatory Interaction in Electronic Communications Markets, *CERRE study*, Brussels, 29 October 2014



V. Demary & C. Rusche (2018), The economics of platforms, IW-Analysen 123, Koeln, <https://www.iwkoeln.de/en/studies/iw-analysen/beitrag/vera-demary-christian-rusche-the-economicsd-of-platforms.html> [this is a long study but crucial to a fuller understanding of this area]

D. Geradin (2018), What should EU competition policy do to address the concerns raised by the Digital Platforms' Market Power ?, *TILEC Discussion Paper* DP 2018-041
[http://ssrn.com/abstract=3299910]

5. Towards an internal market for electricity ?

5.1 Eur Commission (2016), Clean energy for all Europeans, [Winter package], COM (2016)860 of 30 Nov 2016

5.2 AGORA-Energiewende & RAP (2016), Assessing the Winter package in the light of the Energy Union objectives, November, www.agora-energiewende.de/en and go to publications (pp. 13)

5.3 Eur Commission (2019), Fourth report on the state of the Energy Union, COM (2019), 175 of 9 April 2019, 26 pp

5.4 Eur Parliament (2017), Competition policy and an internal energy market, July, study for the ECON ctee, ; only read pp. 40 – 70, see [www.europarl.europa.eu/RegData/etudes/STUD/2017/607327/IPOL_STU\(2017\)607327_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/607327/IPOL_STU(2017)607327_EN.pdf)

6. Towards an internal market for gas ?

M.M. Roggenkamp et al, 2007, The Gas supply system, *Energy law in Europe*, National, EU and International Regulation, 2nd edition, Ch. 16D, pp. 1301-1308.

J. Stern & K. Yafimava (2017), The EU Competition investigation of Gazprom's sales [..], www.oxforenergy.org/wp-content/uploads/2017/07/The-EU-competition-, July

7. The internal market for air transport

European Commission, SWD(2019) 296 of 9 July 2019, Executive summary, evaluation of the common rules on air services (5 pp.)

A. Haylen & L. Butcher (2017), Airports slots, House of Commons, Briefing paper no. CPB 488, June, www.parliament.uk/commons-library

M. Akguec et al (2018), Low-cost airlines, *CEPS Research report*, May ; see www.ceps.eu

8. A competitive internal market for (freight) rail

Y. Crozet, C. Nash, & J. Preston (2012), Beyond the quiet life of a natural monopoly: regulatory challenges ahead for Europe's rail sector, Brussels, December, CERRE policy paper, see www.cerre.eu

Y. Croset, J. Haucap, et al. (2014), Development of Rail freight in Europe, CERRE, Brussels, see www.cerre.eu

[to be added : a solid and recent piece on the (9) EU rail freight corridors, if available]



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7. EVALUATION

First examination session:

The course will be evaluated with a closed-book written exam. Dictionaries are allowed in the exam room.

The exam may consists of 4 or 5 sections – in most, students will be asked questions with choice and answer a specified number of questions or sub-questions. The grade for the exam constitutes 100% of the course mark.

Second examination session:

Article 18a of the Study Regulation applies.