

You are working for the Department of Justice in determining how telecommunications will be regulated in the future. You notice that there are some definite changes in three main categories of telecommunications: local loop, wireless, and long distance (including international).

In each category there are some changes in the way the industry is structured. Determine whether the changes are being made/proposed are vertical or horizontal integration or both. Also, describe whether or not there are economies of scale or economies of scope or both with each change. Drawing a picture of the industry players in a value chain diagram can sometimes help.

Local Loop

- Cable companies are upgrading their networks for two-way service to provide data and voice communication
- RBOCs (Regional Bell Operating Companies) are acquiring other RBOCs (such as SBC's proposed acquisition of Ameritech)
- RBOCs are acquiring Internet Service Providers

Wireless

- New spectrum is being auctioned off for new services. The winning bids often come from incumbent telecommunication firms.
- RBOCs are providing integrated billing for wireline and wireless services.
- Wireless data services are being purchased by cellular telephone providers.

Long Distance

- Inter-exchange carriers (AT&T, MCI, ...) are purchasing long distance service providers such as 10-10-321.
- RBOCs are petitioning the FCC to provide long distance services.
- Non-US companies are purchasing U.S. long distance providers (e.g. Deutsche Telecom and France Telecom's partial purchase of Sprint).