

**Local Loop**

*Cable companies are upgrading their networks for two-way service to provide data and voice communication*

1. They get economies of scope by entering a new market and sharing costs across the markets.
2. They may be able to horizontally integrate some of their support functions (such as customer service or network installation) giving them economies of scale.

*RBOCs (Regional Bell Operating Companies) are acquiring other RBOCs (such as SBC's proposed acquisition of Ameritech)*

1. There are economies of scope because they are entering a new geographic market and can share costs across those geographic areas.
2. They can horizontally integrate some of their support functions to get economies of scale.

*RBOCs are acquiring Internet Service Providers*

1. This is a vertical integration because the service the RBOCs provide is an input to the Internet Service Provider's service offering.
2. By vertically integrating, they can achieve economies of scope.

**Wireless**

*New spectrum is being auctioned off for new services. The winning bids often come from incumbent telecommunication firms.*

1. The incumbent telecommunication firms are hoping to achieve economies of scope by entering the new markets.
2. They may horizontally integrate some support functions for economies of scale.

*RBOCs are providing integrated billing for wireline and wireless services.*

1. Horizontal integration of two separate systems.
2. Goal is to achieve economies of scale.

*Wireless data services are being purchased by cellular telephone providers.*

1. This is vertical integration because the wireless data services use the cellular telephone network as an input to their production and they are buying this input.
2. Economies of scope can be realized as the cellular telephone providers get into new markets.

**Long Distance**

*Inter-exchange carriers (AT&T, MCI, ...) are purchasing long distance service providers such as 10-10-321.*

1. Vertical integration of on-demand long distance service from the operators of long distance networks.
2. Achieving economies of scope by getting into new markets.

*RBOCs are petitioning the FCC to provide long distance services.*

1. There is some vertical integration here because the long distance providers need to originate and terminate calls from residential customers so the RBOC networks are an input to long distance. Combining them is vertical integration.
2. There is also a movement to new markets so there are economies of scope.
3. There could be some horizontal integration of telephone support functions to get economies of scale.

*Non-US companies are purchasing U.S. long distance providers (e.g. Deutsche Telecom and France Telecom's partial purchase of Sprint).*

1. Economies of scope because the non-US carriers are getting into new geographic markets.
2. There could be some cost savings via horizontal integration as support functions horizontally integrate.