SEPARATION ANXIETY: AN AMERICAN STORY

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Early Days: Shackling the Giant

- **Kingsbury Commitment (1913)**
  - Separation of telephone & telegraph (Western Union)
  - No separation within telephony, but required interconnection and limits on expansion

- **1956 Consent Decree**
  - Separation of regulated and unregulated businesses
  - No separation of equipment from service

- **Carterfone (1968)**
  - Separation of network from end-user equipment
  - Not implemented until ’77 (MTS & WATS order upheld)
Computer Inquiries (1970-86)

- **Separation of basic and enhanced services**
  - Evolution from exclusion of AT&T to structural separation (Computer I → II)
  - Evolution from structural to non-structural safeguards (Computer II → III)

- **CEI and ONA mechanisms largely fail**
  - But... stuff happens (e.g. the Internet)
  - Title II common carriage obligations sufficient
  - ESP exemption as a catalyst
Divestiture (1984)

- Separation of local and interexchange telephony
  - Equal access to allow long-distance competition
- Separation of information services (line of business restrictions)
- But... no separation within the local market
The Road Not Taken

- **AT&T Trivestiture (1996)**
  - Voluntary separation of manufacturing (Lucent) and data processing (NCR) from telecom

- **Voluntary functional separation**
  - Rochester (Frontier) proposes wholesale/retail split in 1993
  - Ameritech explores a similar approach

- **Never gets traction before the 1996 Act**
The Great Reintegration

- **1996 Telecommunications Act**
  - Unbundling and wholesale access substitute for separation as means for local competition
  - Mergers reassemble Ma Bell as Verizon/AT&T

- **2003 Triennial review**
  - Eliminates line sharing and fiber unbundling
  - *Brand X* confirms removal of unbundling obligations for broadband

- **700 MHz C Block:** no wholesale requirement

- Net neutrality as a “second best” solution
What Next?

- Gee, maybe those crazy Europeans are on to something!?!?
- Anyone who wants $7.2 billion, please raise your hand

BUT...

- Corporate culture: wholesaling ain’t sexy
- Information services: the vast uncharted territory of Title I