

Cite as: 8 TECH. L. REV., Dec. 2011, at 1.

## Vertical Separation of the Telecom Monopolist's Access Networks

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### Abstract

Fifteen years after the liberalization of telecom markets in Taiwan, newcomers still play no match for the former monopolist operator, especially when it comes to wireline-based services. Above all is deficient enforcement of the non-discrimination rules on telecom access networks held responsible for this outcome. According to the experiences of telecom regulatory authorities in most OECD member states the access network is the “essential facility” and shall be to open access for competitive operators. The *ex-ante* regulations imposed on the incumbent operator, who owns the essential facility, aim to prevent the abuse of market power.

The regulatory experiences on access networks further show that once behavior regulations alone help little to discourage the incumbent operator from discriminatory practices or cross-subsidization, the regulatory authorities shall have resort of some structural remedies such as vertical separation. In order to ascertain when and how vertical separation is engaged, the AT&T breakup case, the BT func-

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tional separation case and the vertical separation norms in EU Telecoms Reform are analyzed in this article. The principle of “competition drives investment”, which European Commission adapts for the NGA access, is referable for dealing with the CHT dominance in the access network in Taiwan. This article concludes that a thorough review of functionality of the Telecom Act regarding to introduce workable competition on the infrastructure level and amendments which incorporate vertical separation are recommended.

**Keywords:** Vertical Separation, Functional Separation, Structural Separation, Next Generation Access Network (NGA), Essential Facility, Equal Access, Non-discrimination, Ladder of Investment