

Dear Reader: We Stopped the Press...

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As *Bell Telephone Magazine* readers doubtlessly have learned from reports in other Bell System media and in the external-public media, AT&T has agreed to a U.S. government-proposed Consent Decree which modifies the earlier 1956 Decree. At the same time, the government has dropped its seven-year-old antitrust case against the Bell System.

These events occurred as *Bell Telephone Magazine* was going to press. (Faithful readers may have noticed that events have a habit of occurring these days just as the magazine is going to press. The lightning-quick speed of such events serves to illustrate, in stark relief, the awesome reality of the monumental change this business is experiencing.) Our subscribers should understand that the magazine is printed in sections and that some of this edition was already on the press when the Consent Decree modification agreement was announced on January 8, 1982. Therefore, this edition should be read bearing in mind the *caveat* that some details in some of the articles may be outdated as a result of that announcement.

The magazine staff did, in fact, carefully consider the advisability of scrapping this edition--which officially is the fifth and final edition of 1981. But it was the judgment of the staff, concurred in by the editorial board, that the articles are sufficiently relevant to be presented to our readers at this time. And while it isn't feasible to publish a list of corrigenda in this edition, readers are assured that in our next edition we will endeavor to correct any misstatements that may have been published as a result of the exigencies of our publication's printing schedule. As well, we will plan to cover, in depth, the ramifications of the Consent Decree modification agreement itself. For now, however, the following--we feel reasonably sure--will suffice.

The terms of the modified Decree require that AT&T divest those parts of 22 Bell System operating companies that provide local exchange/local access service _ the facilities used by customers to complete local calls and to gain access to the long distance and international networks.

Local exchange phone service will be completely under the jurisdiction of each state. Consumers will be assured telephone service under terms, conditions, and at rates authorized by the state public utility commissions. Those commissions clearly have a deep interest in assuring healthy, modern, growing telephone companies.

All long distance facilities, including those currently owned by the 22 Bell telephone companies, will become part of AT&T; AT&T thus will become responsible for all Bell System long distance facilities, including those within the states. AT&T's access to the services of the divested local exchanges would, under the Decree, be on terms and conditions equal to other long distance carriers. Ownership of customer premises equipment will be retained by AT&T. Manufacturing, development, and research facilities will remain with AT&T.

The local exchange/local access services would be divested at the end of an 18-month transition period. A plan for the reorganization of the Bell System to accommodate this divestiture must be filed with the Department of Justice within six months of the effective date of the Consent Decree.

As a result of the Decree, far-reaching and fundamental changes in the structure of the Bell System will, of course, be required. Historic relationships will have to be altered. The configuration of the industry itself will be vastly different. And the interests of employees, share owners, and customers alike will be affected in one way or another.

Nothing in the agreement would change the benefits, including pensions, for Bell System people. Nor would the Decree alter any existing bargaining agreements covering Bell employees. In listing objectives which would be well served by the agreement, AT&T chairman C.L. Brown said this about employees:

"Bell System employees will pursue their jobs with a renewed sense of purpose. Most of our people joined this business with the expectation of making a career of it. They will surely know what I mean when I say how good it will feel to be able once again to plan and manage your life without worrying that your job may hinge on the outcome of litigation or new layers of government-imposed constraints rather than upon your own labor and enterprise:

AT&T's three million share owners would retain stock in AT&T, which, under the agreed-upon alignment, would continue to include Long Lines, Western Electric, and Bell Labs. Share owners would also own proportionate values in the local exchange companies, which represent two-thirds of existing assets. "Most AT&T share owners are individuals with modest holdings; Brown said. "They will now receive shares in two separate enterprises which represent the very same assets they now own, but from each of which the cloud of legal uncertainty has been removed."

Brown called the decision to agree to the Consent Decree modification "historic... one not easily reached when you seek to balance the interests of tens of millions of consumers, the rights of three million share owners, an important obligation to one million employees, our duty to assure national defense communications, and our singular role in the partnership which manages that unique national resource, the best communications system in the world.

"I am confident we have chosen the right course, although it is most assuredly not the outcome we have so conscientiously sought." He added that "while it is true there has been no referendum, the verdict is nevertheless plain enough. The issues have been debated for more than a decade, and few new ones have emerged."

The consumers of America want three things, Brown said: "Dependable local phone service at affordable rates; more competition in the marketplace.., the greatest possible choice among suppliers of equipment and services but certainly not excluding the

Number One brand name, Bell; and more free enterprise and less government regulation where it isn't needed.

"The national interest is also plainly evident. Good jobs and secure employment for American workers. World leadership in advanced communications technologies through research and development here at home. A strong competitive position in world markets. If AT&T and its associated companies are to have an effective role in fulfilling these objectives, as they must, it is apparent that the Bell System must be restructured in a significant way."

Brown said the Bell System believes that by accepting this divestiture, "we are accommodating ourselves to the new objectives ... in a way that makes good business sense. In short, we are acknowledging what has already been decided--not in courts--but through the processes by which public policy is customarily made in this country:' He was referring, he said, "to the arduous experience of debating, testing, exploring, proposing, and counter-proposing that has been going on continuously for so many years: within the industry, the government, the consumer movement, and, most significantly, in the marketplace itself-- as technology has enlarged and redefined the very meaning of telecommunications. In the end, we realize, of course, that our obligation is to conform to national policy, not make it [The] action provides a remedy for the unintended and burdensome side effects of an antitrust Decree entered in 1956.

"That Decree did not anticipate an evolution in modern electronics technology that would in time erase the distinction between computers and communications. Yet its provisions have effectively prohibited the Bell System companies from applying the fruits of their own research and development to their own business purposes. The Decree would entirely eliminate such restrictions?"

In arriving at this outcome, Brown said, it should be clearly understood that though "we disagree with the Department of Justice [which originally brought the antitrust suit against Bell], both the government and the management of AT&T intend that the benefits of the Information Age come first to America. The terms of this agreement are intended to establish a means to that end:'

Nowhere in the agreement is there any indication that AT&T violated the antitrust laws. The agreement does confirm the central element of _what we believe to be new national policy, and disposes of the potentially debilitating uncertainties which have delayed investment decisions, inhibited innovation, and threatened the equity of share owners and employees; Brown said.

"We truly believe," he concluded, "the consent order is an alternative which meets the relevant tests of the public interest, and we look forward to getting out of court and getting back to business:'