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President's Message

— John W. Sleasman, Case Western Reserve

We've divested! Well, sort of. At Seattle, the ACUTA Board voted to realign the regional structure, with the establishment of a total of eight regions — seven in the United States, plus Canada. The seven American regions will be divided into states in line with the RBOC boundaries.

It seems logical to make this move. First, from external needs, the high community of interest created by the establishment of the RBOC's has been reflected by other vendors. This adds credence to the concept of using this organizational structure.

Internally, our existing five regions have grown too large for competent management. The division adjusts either size or geographic dispersion to enable region directors to more effectively serve the members at a "local level," the original concept under which they were meant to serve. Ironically, ACUTA originally had eight regions, but due to its small total size, the regions were reduced to five.

Time constraints at work have prompted two of the directors to offer their resignations. Jeff Ruhns and Virginia Penikis are due significant thanks for their past services: the loss of their contributions to the board will be felt. The other three present region directors will continue: Jim Dronsfield, Duke University, Region Three (Bell South, plus the Caribbean); Dino Pezzuti, The Ohio State University, Region Five (Amersitech); and Howard Lowell, Colorado State University, Region Seven (U. S. West plus Alaska). Jim Shea at Boston University has accepted the directorship of Region One (NYMEX), Garry Tatum at the University of Guelph has accepted the directorship of Region 6 (Canada), and Donna Powell at California State University in Sacramento has accepted the directorship of Region Eight (Pacific Telesis, plus Hawaii); I hope to have the remaining directorships filled within the next month, so that the new directors can be "on hand" for the Norfolk Conference.

We do expect some confusion, so we will be setting aside time at Norfolk for the delegates from each region to meet together and provide time for the region directors to discuss issues of concern to those members in attendance. We also expect to establish better ongoing communication between the "central organization" and the "grass roots" membership as a priority. ACUTA has grown rapidly — without improved internal communication and responsiveness to the membership, we run the risk of losing touch with the true service objectives of the organization.

PARTY LINE

— Ruth Michalecki, Nebraska

The ACUTA Spring Seminar proved to be another success story, with the real winners being the participants. As always, Vic Toth provided us with an insight as to what is happening on the regulatory scene and a few predictions or thoughts as to what might be just around the corner. Here are some of the highlights, covered by Mr. Toth during the seminar, of the new access tariffs filed by the local exchange carriers. They should be effective June 1, 86.

...elimination of the business-line rate for WATS resellers and a requirement that they use traffic sensitive (TS) feature group services.

...new charges for WATS access lines and for DAL extensions (i.e., transport from the customer's C.O. to the WATS serving C.O., where they are not the same).

...provisions that allow either the WATS customer or the WATS IC carrier to order and pay the charges for the WATS access line.

...provisions allowing any equal access IC or reseller to utilize WATS Access Lines (i.e., DALs) in combination with its own WATS type offering in lieu, for example, of Special Access services for dedicated customer access to the reseller's or OCC's POP. (Under this alternative the IC will pay Feature Group - D traffic-sensitive charges only (about $0.025/min) for originating traffic; and either the IC or the customer will pay the WATS DAL monthly and nonrecurring installation charges. (About $28/ mo. and a $84 NRC under NECA tariff: 4-wire WATS available at $46/mo.)

...a specific exemption for STS providers for on-premise traffic.

With respect to the customer's new prerogative to order WATS access lines directly, many existing WATS customers may be able to save money after June 1 by paying the LECs (local exchange carrier) special access rate for a DAL (about $28/mo plus $84NRC) rather than paying the higher AT&T WATS tariff charge for the same connection (currently about $31.50 or $36.80/mo., depending on IN- or OUTWATS, but likely to increase to $40 or $50/mo without surcharge: $70 or $80/mo with surcharge.) This, of course, assumes that the customer's WATS office is collocated with its local serving wire center central office so that no WATS access line extensions (DALES) are required, in which case additional NRCs and monthly Special Access mileage charges apply.

In addition to the LEC's tariff filing, Victor Toth discussed a subject that should be near and dear to all
PARTY LINE. Continued:

our hearts'. That is AT&T's long-time practice of "rounding-up" to the nearest minute for toll usage. With today's sophisticated technology, they both could and should change for exact usage, or at least to the nearest-tenth of a minute. He also stated that end-users should demand Central Office Disconnect in CO so called party termination could always be detected.

I certainly haven't done Mr. Toth justice in this brief overview. We learned a lot from his session and look forward to the articles in BCR and to another ACUTA seminar with him as the speaker.

For those of you never having the opportunity to hear Richard Kuehn, you have a real treat in store. If you plan on attending the annual conference in Norfolk, I have often wondered how Dick seems to understand the many problems encountered in managing telecommunications in the university/college environment, but he does. Wish me luck as I try to summarize some of the points he made at the Spring Seminar in Seattle.

...electro-mechanical equipment rates will probably increase due to labor-intensive maintenance and moves.

...don't try to design every system individually, instead be like the telco, provide dial-tone and offer multiple choices for individual usage.

...design and control cable plant in system—most valuable asset you have! In designing cable plant, bring all key players into picture (data, physical plant, video, etc.). Single toughest question: Who should be in charge of cable facility? Most logical choice: Telecommunications. Why? Because telecommunications is the only area that can see entire picture (providing for telephones, data communications, pay-phones, class bells, energy management systems, alarms, security systems, etc.) and is only area capable of keeping track of this resource. Should force 22 gauge in cable plant; 4 pair wire to all locations. If you have problems working with existing plant, go out and buy a couple of belans to see if wire can move data.

...users will ultimately control costs: therefore operate on the theory that "those who go must pay". Billings must include all costs and result in a profit at the end of the fiscal year. Amortize switch purchase the pay-back over 7 years; but try to include switch installation costs into monthly rate over 15 years; bill back both on monthly basis. Keep dial-tone price relatively low. Equipment can prove profitable over several years.

...CENTREX can offer some advantages over premise switch, but brings with it certain exposures that a premise switch doesn't. One concern was rate stability contracts covering many years—still vulnerable to mandated rate increases by State Public Service Comissions and a feeling that someone in the FCC hates Centrex, resulting in potentially a greater exposure to CATC than exists in a premise switch. Control over switch in a Centrex environment as compared to a premise switch was another concern. However, on the plus side for Centrex, Dick pointed out the advantages of telco responsibility: ease of providing service in a multi-building, urban campus environment; felt features were almost a wash; telco provides space with required environmental conditions and power sources. Redundancy is telco problem (although Dick said you could get some redundancy with a premise switch be equipping PBX with power failure transfer relays on DID trunks).

...He cautioned us to be concerned with security as we integrate voice & data, saying the more you integrate the data with the voice telephone system, the more you need to worry about security. Must be sure you maintain the integrity of the PBX; don't install a DISA port. Put call-back modems on all maintenance ports.

...For those considering campus-owned pay telephones: average pay-phone revenue per location is $51 per month with top revenue of $76 per month. 85% of all calls are local; 5% are coin long distance; 10% credit cards. Pay-phone owners must give access to operators; free access to 911 and to directory assistance operators; provide coin return for no answer calls; be hearing-aid compatible; post sign showing who owns pay phone. Damage to pay phones is extensive.

I could go on and on, but will close the Spring Seminar with a big thanks to both Victor Toth and Richard Kuehn for a job well done. I know all of us who were fortunate enough to be able to attend were the real winners.

Bill Morris, our hard-working treasurer, said all invoices for 1986-87 ACUTA membership dues have been mailed. If you did not receive an invoice, or have lost it in your paper shuffle, please contact Bill at Box 25000, University of Central Florida, Orlando, FL 32816 or call him at 308-275-2113.

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BILL MORRIS, TREASURER

1986-87 ANNUAL DUES

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ACUTA

ASSOCIATION OF COLLEGE AND UNIVERSITY

TELECOMMUNICATIONS ADMINISTRATORS

15TH ANNUAL CONFERENCE

Norfolk, Virginia  June 29-July 3, 1986

KEYNOTE ADDRESS

"Education in a Networked Environment", by Anna A. Porzio, Vice President of Research, AT&T Bell Laboratories.

MANAGEMENT SESSIONS

- Financial Planning
- Vendor Strategies & Industry Alliances
- Planning Successful Telecommunications Management
- The Effect of Switch Design on The End User
- Roadblocks to Integration
- The Why & How of RFPs
- How to Insure an RFP & Negotiate A Contract
- Voice Messaging Forum
- Operation Services to Students
- Impacts of Regulatory Developments
- Long Distance Issues

TECHNOLOGY UPDATE SESSIONS

- Local Area Networks
- Library & Research Networks
- Microwave Networks
- Cellular Radio
- Centrex

ONE DAY SEMINARS

- Advanced Data Communications
- Basic Computer Communications
- Introduction to Telecommunications

Direct inquiries to: John Siegman (216-398-5490)

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IMPORTANT NOTICE

Brochures, hotel reservation cards, registration cards and spouse information cards have been mailed to all members. If you did not receive yours or if you need additional ones, please call me and we will mail them to you on the same day we get your call. The 15th Annual Conference promises to be outstanding and we don't want you to miss it... call: 402-472-2000, or send me a message on Bitnet (TRCFO01UNLV)
TELECOM DEPARTMENT COMPENSATION: 1985

— Deborah Thobe, A. S. Hansen, Inc.

Rapid technological evolution, escalating telecommunications costs and increased recognition of the "bottom line" impact of providing internally supported data and voice communications have significantly increased the growth rates of voice and data communications departments and the demand for specialists. The 108 companies surveyed by A. S. Hansen, Inc. had a 17 percent increase in 1985 in the number of telecom staff (about 700), while individual departments increased at about a 25 percent rate. The largest growth occurred in smaller and medium-sized telecom departments.

Support for communications facilities requires technological development of software and hardware and also requires development of a staff to plan, design, implement, operate and maintain the facility. Finding and recruiting this staff is complicated by the changing of requirements within the telecommunications department.

Problems in Identifying the Right Skill Levels

Practices during the startup phase of a department typically evolve from hiring a single, senior level position to hiring multiple position levels with job families. In start-up situations there is often an initial expenditure for talent that can "hit the ground running," a necessity due to both the level of expertise required to plan and design the system, and the lack of time to train and develop talent in-house. Response to demands for support in additional areas of the company requires that department jobs expand in their scope of responsibility and/or in level of technical expertise. As the system is implemented and applications increase, multiple position levels are created, most often in response to an immediate need.

Factors such as direct industry experience, knowledge of specific applications or vendors' hardware and software, and local market demand can combine to create unique barriers to identifying and acquiring new employees. To find the individual with the appropriate combination of talent seems, too often, more suitably handled by a clandestine governmental agency rather than the normal corporate recruiting process.

But even before the search for that individual begins, the required expertise and scope of responsibility must be defined. Although job descriptions can serve as the base document, they have not been developed by many companies for their telecommunications positions. The highly technical nature of voice and data communications positions makes the task of writing a job description a major cooperative endeavor between the telecommunications and human resources departments.

Time pressure and demands on both the telecommunications and human resources departments often preclude the ability to focus on developing job descriptions for the entire telecommunications department at one time. Moreover, constant growth and change within the telecom department often results in redefining positions or restructuring the department before a complete job description development process can be completed. This lack of documentation impedes the identification of potential candidates and makes it difficult to obtain adequate competitive market data since there is no basis for accurate comparisons. Moreover, the dissimilarity of the department structures can make "job title only" comparisons extremely inaccurate.

Survey Methodology


Data was gathered on base salary, incentive pay, formal salary ranges and pertinent scope data for each position. Base salary data gathered was effective as of May 1, 1985; bonus information reported was for the most recent performance period. Survey input was analyzed against both the department's internal structure and among the positions reported by all departments.

Clarification of questions concerning job matches was made either through the individual human resources department or directly with the telecommunications manager of the participating company. This approach provided assurance to both the telecommunications and human resources groups that the job matches had been analyzed with an understanding of the industry, their type of network and the technological requirements inherent in the jobs.

The survey was designed to require cooperative input from both the telecommunications and human resources department, both to ensure the accuracy of the data and to provide an opportunity for the two departments to explore their individual understandings of the scope and responsibility of the surveyed positions. For many survey participants, it was their first opportunity to work from a prepared base document to compare and contrast their jobs.

Basis for Comparison

A primary concern addressed by the survey was to ensure that accurate comparisons were made of positions within similar network operating environments. The basis for defining the type of network is provided in Table 1 — Hansen's 1985 Guide to Networks. This matrix was developed by Hansen consultants, in conjunction with a steering committee composed of telecommunications managers from both high-tech and general industry companies and input from Business Communications Review.

The 1985 edition differs from the 1984 Guide. Levels 1 and 2 of last year's five network levels were dropped, and the 1984 Levels 3 - 5 were each expanded (i.e., 1984 level 3 = 1985 levels 1 and 2) to more accurately reflect differences among the types of networks. Defining the network level was made giving primary consideration to network switching capabilities, followed by the extent of transmission facilities ownership.

Compensation data is presented in the survey results within a variety of data sorts including: (1) national (all reported salaries and bonuses); (2) type of network operated by the department (as defined by the Guide); (3) type of system — data only, voice only, data and voice together, the separate networks, integrated data and voice; (4) type of industry, and (5) location. Technical and support position data was also provided by union and FLSA status.

Management Positions

Management level positions most frequently tend to be recruited on a national basis, with variations in pay.
levels reflecting such factors as the level of network involved and location — the larger, more complex networks are housed predominantly in the major metropolitan markets where both market demand and the cost of living are typically higher. Table 2 contains sample management job descriptions used in the survey and the reported salary and bonus information.

1985 salary increases for all companies for FLSA-exempt positions (including telecommunications positions) averaged 6.4 percent with an anticipated 1986 increase of 6.4 percent. Companies which differentiate between the amount of the salary increase awarded to a telephone position versus the general employee population averaged 6.9 percent increase in 1985, with a projected increase of 6.8 percent for the telecommunications jobs in 1986. These figures exclude selected "one-time" adjustments which may add an additional 10 percent or more to bring an entire department up to the competitive market.

The telecommunications department director/manager positions surveyed showed a 10 percent average base salary increase over 1984, moving from $58,500 to $64,300. Reported total compensation increased 14 percent from $61,200 to $69,600. The incentive pay for this position increased from an average of 15.5 percent of reported base pay in 1984 to 23.1 percent of base pay in 1985. Bonus eligibility increased from 40 percent in 1984 to 49 percent in 1985.

The largest incentive payouts were reported by those companies which have placed a very strong emphasis on the continued development and expansion of the network and which have undergone considerable growth over the 1984 performance period. This was particularly true for the telecommunications director/manager position in the financial industry where the average salary increase was 31 percent due to the strong incentive payouts which averaged over 35 percent of base pay (where a bonus was paid). This high payout trend did not extend, however, to the other surveyed positions in the financial group.

Manager level network design positions also benefited from an increased incentive pay, with the average award increasing from 6.5 percent to over 11 percent of base pay. Network design positions typically report to the department manager, interact with user groups to determine system needs and with vendors to evaluate products and design the appropriate network/application, implement and operate the network and coordinate with users to solve problems. Continuing network development has thrust the network design positions into the forefront to interact with user groups in the design of a cost effective, user-friendly system that will respond to current and future company needs. The importance of these positions not only resides in the development phase of network implementation, but as an ongoing relationship with the individual departments to respond to changing goals and needs.

Network planning positions, involving the long term strategic capacity and development planning for network definition and implementation also showed strong compensation increases, especially in the data and voice integration area which had an average salary increase of 16 percent in the 1984-85 period.

The emphasis on proceeding to the implementation phase of integrated networks has increased dramatically. This requires the planner to have a comprehensive knowledge of current and future vendor hardware/software products and applications. It also demands an understanding of the cost effectiveness and feasibility of utilizing external versus internal resources.

Incentive pay packages have become more available to the network planning positions. Eligibility for these programs rose from 23 percent of the reported incumbents in 1984 to 45 percent in 1985, although the actual awards did not reflect a significant portion of total compensation. The strikes currently being made in network planning suggest that the 1985 performance period may provide an increased potential for incentive earnings.

Technical and Support Positions

The salary increases for technical and support positions tended to mirror the pattern of the management level positions, with the higher increase awarded to the network design and planning positions. Table 3 contains sample survey job descriptions used and a summary of the national data reported.

Our sample showed an average salary increase for the senior level communications analyst — a position which assists in the planning, design and implementation of networks, including review/assessment of user needs, feasibility studies, RFP development, evaluation/recommendation of vendor products — of 20 percent from 1984 to 1985 for incumbents involved in integrated data and voice systems. And, in 1985, the number of reported incumbents in this category doubled. Although not a widespread practice, the use of incentive pay, by about 11 percent of the companies for this senior level position, resulted in average payoffs of 13 percent of base salary for bonus eligible incumbents.

The practice of offering incentive pay to the technical support positions is more prevalent in the service industries where an average of 80 percent of the reported incumbents were bonus eligible. In the majority of these positions surveyed, however, bonus eligibility did not involve putting any element of compensation at risk, but rather provided strictly for additional compensation. The base salary reported for bonus eligible incumbents typically averaged up to 10 percent higher than the salary paid to non-bonus eligible employees in senior level technical support positions.

Payment of a higher base salary to bonus eligible positions is not a practice which is unique to the telecommunications department. It is typical, however, of those companies seeking to attract a high-caliber of talent and to provide recognition of significant individual contributions. Incentive pay also work as a pathway through which constraints imposed by inadequate salary range potential can be circumvented.

Salary Administration Practices

Seventy-five percent of the companies with formal job evaluation programs utilize a combination of job evaluation results and market pricing to determine grade assignment. The primary source for the market pricing information used was identified as the Hansen survey.

Only 11 percent of the companies reported special salary administration practices for telecom department positions. These practices included use of higher salary ranges, higher range penetration, or a combination of a higher salary increase potential and an accelerated review schedule.

A practice which provides additional compensation to FLSA-exempt technical support positions is overtime payment. Over one-fourth of the companies utilize this practice, based on such guidelines as preapproval of overtime hours worked, or special projects.
CALL FOR NOMINATIONS:

During the 1986 Annual Conference in Norfolk, Virginia, all full ACUTA members in attendance will be able to vote on a slate of officers to serve as the Board of Directors of ACUTA for the coming year. Only full members with dues currently paid will be eligible to vote or serve on the Board of Directors.

There will be three "automatic" changes of responsibilities, as provided in the ACUTA constitution, and three actual ballots.

AUTOMATIC

John Sleasman, the incumbent President, will become Immediate Past President, and his new duties will include Chairman of the Past President’s Council. Chairman of the Nominating Committee and Chairman of the Constitution and Bylaws Committee. At board meetings, he will act as Parliamentarian and have a tie-breaking vote only.

John Curry, the incumbent Executive Vice President, will automatically become President, assuming all duties and responsibilities associated with chairing the ACUTA Board of Directors.

Kia Malott, the incumbent Vice President, will automatically assume the office and duties of the Executive Vice President.

SUBJECT TO BALLOT

Vice President—-to be elected from a slate of nominees assembled by the Nominating Committee and finalized with any nominations that may be received from the floor at the election meeting.

Secretary—The incumbent Secretary, Del Combs, can, according to our constitution, be elected to a second year in office. Technically, the second year is not mandatory and therefore Del could run for election to another vacant position if he so desires. Nominations may be received from the floor at the election meeting for the position of secretary.

Treasurer—Bill Morris is presently in his second year as Treasurer and our Constitution stipulates a minimum of two consecutive years for that office. Therefore, a new Treasurer will be elected from a slate of nominees assembled by the Nominating Committee and finalized with any nominations that may be received from the floor at the election meeting.

NOMINATIONS

All ACUTA members may submit nominations for the offices of Vice President, Secretary and Treasurer. However, before placing a name in nomination please be reasonably sure that the person you are nominating is in fact willing to accept the responsibilities that accompany the office, and is aware of the considerable commitment required, particularly in terms of support from his/her institution. Upon receipt of each nomination, I will contact the nominee personally in this regard just to be doubly sure.

Please send all nominations to:

Ruth Michalecki, Chairman Nominating Committee
University of Nebraska-Lincoln
211 Nebraska Hall
Lincoln, NE 68588-0523
(402)472-2000
SYSTEM 85 CUTOVER

AT CORNELL

By Patricia Paul

Contrary to popular opinion, there is life after cutover. I can't yet attest to the quality of that life, but I actually can see progress and stabilization just around the bend.

Cornell University changed all of its 11,000+ administration and dormitory phones over the weekend of March 1 from Centrex to an AT&T System 85. Contracts were signed in October, 1984. In 17 very short months we replaced every inch of inside and outside cable with 24-gauge copper, coax and fiber optics; replaced all telephone sets and associated station equipment; built a new telecom building, including offices and a switchroom; renovated seven other spaces for use as remote switchrooms and procured completely new system management hardware and software.

All is not yet perfect, but real progress has been made. The first two weeks after cutover were quite an experience for me and my staff. As director and project manager my main function was to make all our customers happy as quickly as possible without driving my staff (or me) to leap into one of Ithaca's infamous gorges. I am pleased to say that everyone made it through relatively unscathed, but all badly in need of a "break" from the action. The AT&T personnel assigned here weathered the storm with us and provided much-needed support, both technical and psychological.

Our System 85 is an "RLZ3" which means "Release 2, Lab Version 3." Still confused? So are we! All kidding aside, this is an almost totally new product and we were fortunate enough to be chosen as one of AT&T's three "Controlled Introduction" (CI) sites. We were the last of the three and found the ordeal to be relatively painless. Our designation as a CI yielded additional support from AT&T's labs in Denver which, in our opinion, was a big factor in our successful cutover.

As if that wasn't enough, we also purchased AT&T's Centralized System Management (CSM) on a CI basis. Unlike the System 85 telephone switch, however, CSM was a relatively unproven product. After much research, we determined that CSM was not mature enough to handle all of our system management needs at cutover. CSM was procured to allow us to do software charge management, to monitor and test system functions, and to log call records. We also purchased a complete software package from Communications Design Corporation (CDC) to augment those CSM functions we felt would not initially meet our requirements. The CDC package will do the actual call costing, equipment billing/inventory, cable and wire management, order processing and trouble reporting. We are currently using our own on-line directory package, but are working to transition and merge that function into the CDC package.

The CDC software runs under CICS on Cornell's IBM mainframe computer. The CSM configured for Cornell runs under UNIX on a DEC VAX 11/785 in our building. This arrangement is somewhat cumbersome because of the multiple (and therefore potentially conflicting) databases, but it represents the best combination we were able to find. We are hoping that the two products can become more closely integrated, allowing us to use the best pieces of each system effectively. Eventually, CSM will perform all or most of the functions we have now allocated to CDC. CSM can currently handle some operations we are running on CDC -- such as call billing -- but not in a manner that meets our needs.

Cornell students have always had their local telephone service provided by the University, and we now also offer them access to our long-distance network. Students represent nearly one-third of our lines and phones, but closer to one-half of our total local and long-distance usage. One student in each dormitory room is obligated for the usage charges, as was done previously with New York's Centrex service. Our department renders a detail bill to the responsible student and the total is invoiced and collected by the Bursar's Office as a line item. We still have not issued our first bill, so we have yet to see how successful our planning has been.

We opted to prepare all of our own training materials, including video tapes and slide presentations. We used a "train the trainer" concept and AT&T trained approximately 500 department representatives in three-hour sessions utilizing our materials and live telephone. Most regular phones were operational for internal calling a full week before actual cutover to facilitate training and get a jump on trouble reports. Although our long distance network was transitioned over cutover weekend, the System 85 and Centrex worked in tandem through March 5 for incoming, local outgoing and internal calls. Cutting the umbilical cord to Centrex caused another surge of urgency for a day or two when a token number of people were without service. About ten days after cutover, things simmered down to a more tolerable level. In the interim we have worked on the backlog of hardware and software orders that accumulated since orders were frozen last late last fall. Much time has also been spent fine-tuning system software to meet the users' needs.

In summary, we're up and running and looking forward to an as yet undefined date when we can fall back into some semblance of day-to-day operations. None of us are ready for another cutover right away, but we soon will begin pursuing the expansion of data communications and tackling other projects that were temporarily set aside while we worked toward cutover. We learned a lot during the past few years as the project was brought from the back burner to completion. Hindsight tells us that we could do a great job now with the knowledge we've gleaned from this project, although we did many things correctly.

It was probably a once-in-a-lifetime opportunity for all of us here at Cornell Telecom. We're glad it's over and are looking forward to the future. The comedy of the whole situation can best be summarized by a comment made by three of my staff members on February 28, the night we began cutover. They came to me and asked if they could stay and watch "the cutover," that intangible event for which they had worked so long and hard. I said sure, but that it would certainly be anti-climactic knowing what they had already been through. After I explained the cutover process, I faced three rather disillusioned faces that said "That's it? Guess we might just as well go home!"

Editors' Note: Patricia Paul is director of the Department of Telecommunications at Cornell University and membership chairman of ACUTA.
SELLING

THE PHONE FIGHT'S FRENZIED FINALE
— by Stuart Gannes

The deadline for signing up long-distance customers is fast approaching. Only three nationwide competitors remain, and they may shrink to two. The 600-pound gorilla, AT&T, is doing better than the expert expected.

THE FINISH is in sight and the major candidates are pulling out all the stops: the hoopla of America's great long-distance telephone election is reaching its climax. Advertising, an estimated $500 million of it last year, seems to saturate the media. That's in a league with what the cola makers, brewers, and burger servers spent in their wars last year, and more is coming. Tons of campaign literature ride the daily mails to the battle zones. Telemarketing squads dial millions of prospects with expertly crafted pitches. Competitors sponsor local sporting events and charities, and if executives thought kissing babies would increase market share, they would probably do it.

The candidate everyone knew would dominate the election, AT&T, is doing better than expected. Its success will leave room for no more than two other nationwide carriers, and perhaps one. For all competitors the stakes are high. By September 1 most of the 86 million households in U.S. telephone customers will have received ballots allowing them to choose a primary long-distance phone company — the one they use by dialing 1 plus an area code. Before the Bell System breakup in 1984, the 1 button was the exclusive domain of AT&T and accounted for 75% of its long-distance revenues. (The new system opens the so-called bulk long-distance services, such as WATS numbers and private trunk lines.) But with the field open, dozens of contenders are fighting for that market, worth an estimated $25 billion in revenues a year. The election, mandated by the Federal Communications Commission after the Bell System breakup, will play a giant role in determining which carriers survive and how profitable the survivors will be.

The combatants with the most urgent interest in the outcome are the three biggest, AT&T, MCI, and Sprint. Unlike most smaller rivals, known as resellers, who lease lines mainly from AT&T and sell the capacity to retail customers, each of the Big Three must meet the enormous cost of financing and maintaining its own nationwide transmission network. AT&T already owns such a network, and the other two are building them. Industry experts think that for long-term health, national network operations need at least 7% of the total long-distance market.

Mary Johnston, a telecommunication analyst with the Boston consulting company Yankee Group, figures AT&T captures 78.9% of long-distance revenues, while MCI gets 6.4% and Sprint 2.8%. Sprint, a subsidiary of GTE, will add about 0.8% when it completes its merger with the fifth-largest carrier, U. S. Telecom, probably this summer. Those estimates cover the whole U.S., including areas that get only AT&T through the 1 button because they haven't yet received ballots. By September 1, AT&T's market share will surely fall, and the others' will rise. After that date adding share in the dial-1 market will get tougher. To change long-distance carriers, customers will have to go through an unfamiliar procedure and pay a fee. So the shares achieved by September 1 in the dial-1 market will change only slowly and grudgingly. The major competitors' services are nearly identical, though some consumers think AT&T provides better connections. And while MCI and Sprint charge less than AT&T, their cost advantage is largely the result of government-mandated discounts, which will fade away.

The biggest surprise of the battle is AT&T's marketing skill. In 1983 industry experts predicted that the monolith company would lose 40% of the long-distance market to go-getter newcomers who charge less. Now the experts forecast a loss of 30% at most.

If AT&T had any doubts about the importance of marketing, it soon lost them when it overlooked an exchange in the north-central U. S. where customers were voting. "We had zero marketing to those people," says AT&T Communications Executive Vice President Sam Willcoxon, head of marketing operations. The precise results are secret, but Willcoxon suggests they were terrible when he says, "We discovered rather quickly we could be half as big as we are."

MISSING A TOWN is easy because the hodgepodge batching process is a mass-marketing nightmare. Instead of voting town by town or state by state, customers make their long-distance choices according to which local telephone office they hook up with. Each office handles the traffic for 5,000 to 30,000 customer lines. The local telephone company mails ballots to customers only after an office upgrades its switching equipment to give all carriers access to dial-1 service, and the offices are upgrading in a crazy-quilt pattern nationwide.

That means customers living next door to each other may receive ballots months apart, so hitting them with a sales pitch at the right moment is bound to be expensive. Television commercials will be wasted on some customers who have not received ballots and on others who cast their votes long ago. Mail solicitations can be aimed more precisely but cost more per prospect. AT&T's rivals complain that the behemoth's experience in the business gives it a giant advantage: from past records it can identify the best long-distance customers — those who spend a lot on long distance and pay their bills on time — and can put extra sales pressure on them.

The three major contenders are campaigning on levels from the sophisticated to the simple. AT&T uses about 35 different direct-mail packages, many coordinated to a prospect's age, sex, and residence, and mailed while at the Florida State Fair the company used leggy female ice skaters to attract attention. MCI uses a telephone sales program with scripts that vary according to the customer's answers; salespeople who find a prospect makes a lot of calls away from home steer him toward the company's Travel Card program, which lets customers charge calls while on the road. MCI also float's logo-bearing hot air balloons around the U. S.

Nationwide, AT&T is spending far more than competitors on long-distance marketing, about $400 million last year vs. around $50 million each for MCI and Sprint. For the two smaller companies $50 million is a painfully large outlay, but spending less could be fatal. The resellers, most of whom are tiny, have an even tougher time competing because they do not own networks and must buy capacity from their larger competitors. Some resellers, undaunted, have cooked up marketing strategies that are working surprisingly well.

AT&T's marketing edge is most apparent on television. Spokesman Cliff Robertson, 60, appears on the tube as the incumbent incarnate. Kim Armstrong, director of advertising for AT&T Communications, explains, "We wanted somebody who was fresh" — Robertson had not appeared in a TV ad for several years — "and who would convey the appearance and attitude of integrity." Robertson had received a lot of publicity from his honest role in the David Begelman-Columbia Pictures embezzlement scandal in 1977. (Robertson reported a check on which Begelman had forged his signature.)
SELLING, Continued:

Armstrong hired the Academy Award winner, reportedly for $2 million a year, after screening a list of nominees prepared by N. W. Ayer, AT&T's longstanding TV ad agency.

It was a master stroke, Robertson's boffo performance is wounding accolades on Madison Avenue. Advertising Age names him Star Presenter of 1985. Robertson says people approach him in airports asking to shake the hand of Pa Bell. And Armstrong's commercials win the grudging respect of AT&T's competitors: It's a case of Pa Bell coming to the rescue of Ma Bell, according to Daniel Fox, who manages long-distance advertising for U.S. Telecom at the Foote Cone & Belding agency in Chicago. He says, "It was brilliant on AT&T's part to have Robertson say, We were always there for you. We've been with you for a hundred years. Call anyplace, anytime...All that while other people are saying bad things about your mother."

OFF the tube, AT&T caught rivals napping last year by unleashing two highly successful promotions: Reach Out America, a flat-rate discount on evening calls, and Opportunity Calling, a program that awards shopping credits at such places as J.C. Penney stores and Red Lobster restaurants as rewards for using AT&T. Despite competitors' suggestions that Reach Out borders on predatory pricing, AT&T is pushing ahead. Says security analyst Kenneth M. Leon of the New York investment firm Rothschild & Unterberg Towbin: "AT&T has spun products out of its long-distance service in ways that would make Procter & Gamble green with envy."

MCI Chairman William McGowan acknowledges that the remaining five months of balloting will be critical for his company and Sprint. McGowan developed a two-pronged marketing approach. At the national level he arranged for American Express and Sears Roebuck to handle billing of MCI customers, and for Amway Corp. which sells household products, to sell MCI's service. But he leaves the daily management of the campaign to MCI's seven regional presidents, whose territories correspond to those of the seven Bell operating companies created by the breakup of AT&T.

The regional presidents act with great autonomy. They can run any or none of more than 20 radio and television commercials provided by corporate headquarters. They are free to invent their own ads and local promotions. Last year, for example, Midwest President Ronald E. Swoboda sponsored a drive to restore Chicago's Lincoln Park Zoo. MCI contributed $1 to the zoo for every new subscriber who signed up between Memorial Day and Labor Day. The drive netted about 75,000 customers and a trove of good will, which Spears says has helped MCI grab 18% to 22% of Chicago's long-distance business.

Spears has offered similar matching-grant programs to rebuild zoos in Grand Rapids, Michigan, and Columbus, Ohio, and to illuminate a forerunner of the Brooklyn Bridge in Cincinnati. He says his regional officer forced him to understand what makes midwesterners tick. "People in this part of the country want to feel part of a community," he says. "As long as MCI was seen as an interloper, we had trouble getting our message across. Our promotions are designed to show we are a Midwest company. We make our money here and invest it here."

MCI's Western president, Jerry Taylor, perceived a different problem: "Our customers saw their local Bell operating company as an authority figure, so we decided we had to appear as a legitimate contender in the marketplace." Taylor's solution: contracting with Bell operating companies to include MCI advertising fliers with monthly phone bills. "It's an implied endorsement for us," he maintains.

Taylor claims he made good use of MCI television commercials featuring abrasive commentator Joan Rivers pitching MCI's price advantage. "She has the ability to cut through the noise and confusion surrounding the balloting process" he says. "Of course she plays better in Denver and Phoenix than in [more conservative] Salt Lake City." MCI commercials presenting Rivers and Burt Lancaster talking turkey with the viewer will go off the air in the middle of this year. MCI executives won't admit to getting whipped by Cliff Robertson, but the company recently announced it would drop Ally & Gargano, the ad agency that created the Rivers and Lancaster spots. A new series of MCI commercials, produced by D'arcy Masius Benton & Bowles and geared toward large business customers, is set to air by early June.

The remaining months of long-distance balloting pose big problems for Sprint. It has done a weaker selling job than its larger competitors, and it must gain more ground to reach the break-even point for network operators. Sprint lost marketing momentum early last year when it had to turn away new customers because its network was not big enough to handle them.

Now the company is spending heavily to air its latest television commercials, which debuted on telecasts of the National Football League playoffs in January. They portray American society in a vortex of sweeping changes, and suggest that Sprint users stand at the cutting edge. The ads' slogan: "When you've got Sprint, you've got the future on the line." Jeff Smith, an executive at Sprint's ad agency, J. Walter Thompson, explains that the pitch "is to younger, more independently minded customers, ready to look at things freshly and judge them at face value. Sprint customers are avant-garde. They're futuristic and confident. Some viewers think the ads, with their rapid-fire images from the past, are just confusing.

COMPANY executives admit that residential customers will not bring Sprint anything close to the market share it needs. Instead the company is counting on selling the so-called bulk long-distance services to business customers, which it hopes to lure with the high-quality fiber-optic network it will get from U.S. Telecom. While business customers who use the bulk long-distance services face no deadline, Sprint executives regard the months leading to September 1 as crucial, because the clamar of the residential customers' elections on raising everyone's awareness of the players. Sprint President Donald Prigmore explains, "Although large businesses are not sitting there waiting to vote, our research shows that the next months is the best time to reach them."

When the noise of the great telephone election fades away, the contestants will face a new world that will demand new marketing. While MCI will probably have won sufficient market share to make its network economic, Sprint may not have. The survivors will contemplate a future in which their services will be similar and whose costs will converge. When that happens, the long-distance companies will be in a classic, unending marketing war. Like Coke and Pepsi, they will work hard trying to differentiate offerings that are not really very different.

The author of this article is Stuart Gannes, which appears in April 14, 1986 issue of FORTUNE. (C) 1986 Time Inc. All rights reserved.

Words of Wisdom:

... "When you like your work, every day is a holiday."
—Frank Tyser

... "There is time for everything."
—Thomas A. Edison
POSITION: Telecommunications Analyst

DUTIES: The Telecommunications Analyst will be required to have a considerable technical understanding of the basic principles of telecommunications in addition to various types of telecommunications systems, features, operating requirements, and installation methods. The Analyst's duties will include the evaluation of telecommunications systems and requirements in order to recommend and implement systems that will meet the operational needs and budgetary constraints of University departments.

This work will involve coordination of activities among University Telecommunications support staff and technicians, other University faculty and staff, Southern Bell staff, and outside contractors.

CURRENT ENVIRONMENT: The Analyst will report to the Telecommunications Manager.

The Telecommunications Office provides and maintains all PABX and station equipment and leases ESSX service from Southern Bell. The ESSX is under contract until January 1, 1989. A study is in progress to evaluate future telecommunications needs and service options.

The Telecommunications Office also offers data and video communications services on a campus wide broadband communications system.

QUALIFICATIONS: Associate degree in business or a telecommunications related field and three years experience in voice and data systems analysis.

COMPENSATION: $19,716 - $31,416

APPLICATION: Send application to: UNC Personnel Division Attn: Ms. Linda Lane 111 Pettigrew Hall Chapel Hill North Carolina 27514

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