MERRY CHRISTMAS
The recently concluded Nashville fall seminar was, to say the least, an outstanding success. It is always very nice to hear from new people, attending an ACUTA function for the first time, that we put together "very professional" meetings. This was definitely again the case with the Nashville meeting. Seventy registrants participated in what we feel was the best seminar to date. This seminar, designed to bring ACUTA members up to date on the newly proposed LATA structure and Access Charges, did exactly that and more. Joe Massey's presentation on the LATA structure was, as usual, very entertaining and informative.

In Wisconsin at least, users of residence service are becoming quite vocal in their opposition to recently filed requested rate hikes and proposed local measured service. This pressure is making the Public Service Commission become very sensitive to the needs and feelings of residence telephone users. So, making your views known does work. All the more reason for each of us to get involved and write to our respective Senator or Congressman, inform them of your particular situation and ask them to support your views. Had more of this kind of activity taken place a few years ago, divestiture might have taken on a different composure and among other things we might not today be facing the advent of LATAs and access charges.

And finally this month, I would like to mention the Special ACUTA Nashville Fall Seminar Country Music Groopie Accolades. These go to Patti Jeffries and Jo Ann Kaelin for the long hours they spent diligently patrolling the lobby in search of celebrities willing to sign autographs and pose for pictures. Mal Reader is also to be remembered for boldly firing off his camera point blank in Johnny Cash's face as he was hurrying across the lobby only to find out he had no film in the camera!

Sincerely,
Michael A. Toner
President

In addition to everything else, the accommodations at the Opryland Hotel were outstanding. All the fine arrangements for this meeting were the result of long planning and hard work on the part of Mike McCaw of Northern Telecom and Andy Booker of Vanderbilt. Congratulations and a special thanks to Mike for hosting our finest seminar to date. Your efforts are appreciated and will be long remembered.

Coincidently, since the conclusion of the Nashville seminar, the Access Charge issue has been in the papers daily. It is interesting to note the amount of public interest the Access Charge issue has created. Many feel as I do that many of the deregulation changes are clearly not in the public interest and Access Charges, especially as they will apply to Centrex, are one of the most blatant examples of this. Fortunately, and hopefully not too late, user groups across the country are severely questioning these charges and bringing heavy pressure on their congressional representatives to have a second look. The result to date is the Access Charges, originally scheduled to go into effect on 1-1-84, have been delayed until at least 4-1-84.

Four of the USA's fastest-growing jobs in the next decade will be high-tech. A Bureau of Labor study says the job with the biggest growth through 1995 will be computer technician—up a whopping 96.3%. Biggest losers will be taxi drivers, telephone operators and aircraft assemblers.
"D-DAY" (Divestiture/Deregulation) is fast approaching and if we ever had anything in common with our local operating companies—we do now. No one knows what is happening from one day to the next. Those least in the know, work for the local operating company or AT&T. Which one, they do not know.

I have a lot of sympathy for them—the situation is confusing. Every magazine or paper I pick up has some business story about the break-up (and most of them have a slightly different explanation of what is going to happen). One thing for certain, AT&T will emerge as a high-technology growth company as opposed to telephone common stock (long considered as a safe investment for widows and orphans). The stock will be more volatile and the price/earnings ratio ought to be far higher that in past years.

Have you noticed (and how could you miss), the advertising campaign being waged by AT&T and the Regional companies? They are reaching out and touching us to the tune of $640 million this year, according to a news story in USA TODAY. Phone bills are so stuffed with informational tidbits and ads, the bill somewhat resembles sardines in a can. Television ads keep reminding us that when we need to place a call between Podunk, Nebraska and Big Valley, Wyoming, AT&T is our one reliable source. They seem to be saying that when all the legal battles are over, they will still be here and they will still care about the completion of our call. Then, of course, they are letting us know how vital it is to our interests, that Congress and the Senate stay out of the decision on access charges (CALC). One of the more interesting things about the telephone companies advertising, most of them are NOT selling anything. Their ads are mainly directed to consumer information, and to indentity on Wall Street....

As I stated earlier, you can hear a different story from each person you talk to, but one source has been quoted predicting AT&T's fate will hinge upon Western Electric, the manufacturing arm of AT&T. Western Electric had sales of $12.6 billion last year—manufacturing 390,000 different items—they supplied 80% of the Bell system's equipment needs; 90% of their production went to Bell.

The big question—can Western Electric go from a slow-moving company with a good record of massive production in a hand-to-mouth relationship with the Bell System, never having a need to market a single thing—to a company with quick reflexes, able to feel out the market place, get the new technology out of the labs, produce it and then sell it—and above all, retain its reputation for quality and low costs? The success of Western Electric is vital to AT&T, since they represent some 33% of AT&T's assets and 30% of their consolidation moves have been made, closing down plants and eliminating over 10,000 jobs. They have hired marketing consultants to teach them to think like competitors. Already the BOCS are signing contracts with other suppliers and manufacturers—it will be interesting to watch future activity at Western Electric.

I have asked various individuals from the Regional Companies and also a few marketing persons in the local operating companies, about the future of Key Systems (the 10A2 and 1A2 systems). Although I am assured they will still be offered, for how long and what the service/maintenance program will be no one is willing to be quoted...

In a statement made over a year ago, ACUTA's dear friend, Harry Newton, felt the time was ripe for some enterprenaur to enter this marketplace. I know of one local (Lincoln, NE) business who has had considerable success in the small key system market. Our local telco simply doesn't offer anything but the new electronic systems or the standardize key systems. Nothing for the small (2 stations, maybe no more than 5 sets) customer. I don't know what the rest of you are doing in regards to the service/installation charges on Key Equipment, but in Lincoln, the costs for this service is beyond all belief! That alone, should tell us they are pricing this equipment out of the market.

The breakup of AT&T—the largest such move in Wall Street history—will mean 1 1/2 cents more in quarterly dividends for stockholders, according to AT&T.

Stockholders will retain their shares in the smaller AT&T and get one share in each of seven new regional phone companies for every 10 shares of AT&T they own. The last quarterly dividend before Jan. 1 reorganization will be $1.35 for shareholders of record Dec. 30. The new AT&T and seven regional companies will pay $1.365 a share in 1984 first quarter dividends.
MELBOURNE, FL., Nestled restfully among pine trees and towering palms indigenous to the East Coast of Florida, it takes a bit of imagination to realize that your are only a few short miles from the nation's space embarkation point at Cape Canaveral. Broad expanses of green grass and wandering walkways are curiously incongruous with the concrete and steel of NASA's launch-pad machinery to the North of the campus. But aside from their divergent settings, Florida Institute of Technology and the Kennedy Space Center share a great deal in common.

Founded in 1958 by its current president, Dr. Jerome P. Keuper, F.I.T. began for the purpose of offering science and engineering courses to specialists who came to Cape Canaveral to work on the space program. The primary aim of the university has been to keep abreast of current and anticipated needs in the developing fields of high technology. This philosophy is reflected in F.I.T.'s aggressive response to the nation's growing need for qualified specialists trained in the fields of science and engineering.

The success of the university in its twenty-five year history has been so impressive that F.I.T. is now ranked as the second largest private university in the State of Florida (behind the University of Miami in Coral Gables). F.I.T offers nine Doctoral Degree programs, 33 Master's Degree programs, 50 Bachelor Degree programs, and 13 Associate Degree programs through its two campuses—the main campus at Melbourne and a satellite campus at Jensen Beach. Currently over 7,000 full-time students are working toward degrees at F.I.T.

In the midst of this atmosphere of technological innovation, it is hardly surprising that a new concept in communications efficiency has developed for the school.

Teaming with giant AT&T and the communications company's Information Systems organization, F.I.T. has become the first university in Florida, and one of only a handful of universities in the world, to have developed a fully integrated communications resale network which is not only technologically innovative but provides for the significant generation of money resources for the school as well.

According to Patrick H. Murphy, F.I.T.'s Director of Personnel and the originator of the idea, the real catalyst for the new high-tech communications system came about rather naturally, "Administratively," says Murphy, "our need began for a new phone system as we had outgrown our old one."

Added to that, Murphy goes on, are factors related to the recent deregulation of the phone industry and the court-ordered break-up of the Bell System. "Not only were we able to consider purchasing our communications system," he states, "but we could also look at the ability to resell the service to our students."

The past situation at F.I.T. is not unique. With 585 on-campus dormitory rooms, only a portion of the school's 1500 resident students were able to have convenient phone service. "In fact," says Murphy, "less than one-third of the rooms had private phones." This was because of several factors including the fact that wiring to all the rooms was not possible. Mostly, however, F.I.T. students could not afford the cost of in-room phone service. According to AT&T Account Executive Gil Wolfe, "students wanting a phone had to come up with a deposit to the phone company of between $100-$200, pay an installation charge of $50-$75, pay about $15 per month in local charges, and of course, handle long distance charges for calls out of area."

Long distance charges, according to a study by F.I.T.'s Murphy, were "astounding." "The average monthly long distance costs were over $45.00 per student," he said. An added negative, according to the study, was the fact that students often had to wait in line for an hour or more to use the pay phones located in the hallways of the dorms.

The solution to the university's problems did not come easily. "The question was how to handle the growing communications needs of the administration and provide the students with better service too," said Murphy, "and how to do it all with one system." That's when AT&T became involved. According to AT&T's Wolfe: "Basically, we started with a blank page. We said 'let's "
(Innovative Communications—F.I.T.) Continued:

consider taking out the existing system entirely and provide one big switch for everybody—administration and students alike."

The answer was a fully integrated AT&T product named Dimension 2000, feature package 8. This PBX (public branch exchange) handles the transmission of voice and data and allows for accessibility from the more than 1100 telephone stations required by the university. "In this way," relates F.I.T.'s Murphy, "each dormitory room will be automatically provided with phone and students will not have to pay the cost of installation themselves."

What will the student have to pay? "Basically" says Murphy, "very little." In fact, aside from a nominal "hook up" fee, to cover the expense of distributing a special access code number for students, and a small monthly charge billed as a part of the student's quarterly dorm bill, there are no other on-going charges. Naturally the student will have to pay for whatever long distance expenses they incur but says Murphy "these charges will be no more than the normal Direct Distance Dialing (DDD) charges of the phone company." This is because all long distance calls will be placed through the new system on lower cost WATS lines already in place, according to Murphy.

Not only cheaper, says Murphy, but also in tune with the growing technology taking place today. "Within three to five years," he says, "students will be able to tie-in to our main computers with in-room terminals or personal computers owned by the student. This will allow for an enhanced learning experience and perhaps off-load some of the instructor's time in the classroom."

Sound futuristic? It is! "With the new system," Wolfe confides, "the student and the university have all the cards—that is, they can choose whatever enhancements they wish to add. The key to the system is its modularity and programmed in anti-obsolescence features."

Keeping track of usage for purposes of billing for long distance charges will be accomplished in a most unique way by tying the system directly in to an AT&T Billing System utilizing a VAX 11/730 computer and proprietary software package developed by AT&T and Digital Equipment Corporation. This system tracks security, costing, accounting, trouble reporting and billing reports. "This is what really makes the resale application viable," says Wolfe.

Student benefits, aside from greatly reduced costs, also accrue from the system's inherent features such as room to room calling, call forwarding, call waiting, and in-room privacy. "In addition," says Murphy, "a student who may be away from the campus will be able to access the system from a remote location by calling a remote access number and keying in his or her special authorization code. This will allow the student the benefit of lower long distance charges even when away from school."

Can this concept be adapted at other schools and universities? "You bet!" smiles Murphy. "With this concept, everyone wins. Not only is it less expensive and far more useful, it also provides revenues to the university because what we charge for usage becomes part of our income, not the income of the phone company. Our projections show we will pay for the new system within five years."

At F.I.T., technology and innovation again put the university up front with a communications system sure to be considered a first.

(About the author: Dave Culley, a Floridan with many published articles to his credit, is AT&T's Manager of Corporate Relations in the State of Florida. Working directly with AT&T Information Systems, Culley's responsibilities include public relations, community affairs, and internal communications.)
A QUANTUM LEAP FOR COMMUNICATIONS

The Federal Communications Commission has gradually been opening the telecommunications industry to competition since 1968. But it was the Justice Department's antitrust settlement this year with American Telephone & Telegraph Co. breaking up the giant telephone company that forced consumers to realize how far-reaching the changes brought by deregulation will be. And that awareness will take a quantum leap on Jan. 1, 1984, when AT&T finally divests itself of its seven phone operating companies.

When that occurs, users and producers alike will be caught in a rush of competition that will drive down the price of some services, push up the cost of others, and lower the cost of equipment. More competition will also make phone companies change their patterns of capital investment. When the showdown, however, most experts believe that the telecommunications industry will be more productive, more efficient, and generally less costly.

No longer will the industry use the pricing mechanism to make telephones service more or less universally available, as it did under regulation. That pricing scheme made more profitable services subsidize the unprofitable ones. Businesses subsidized residential users; long-distance calls subsidized rural ones; and infrequent callers subsidized their more talkative neighbors. 'The Bell System was a welfare state with the power to tax and use the proceeds to do good things,' says Alfred E. Kahn, an expert in regulatory economics at Cornell University and a consultant to National Economic Research Associates.

WHO PAYS FOR WHAT. While long-distance and local rates will still be under some regulation, however, most experts believe that almost everyone can afford telephone service. 'Prices will now move in a direction that more clearly reflects the cost of providing service,' says Gerald R. Faulhaber, director of financial management for AT&T. Such a shift to cost-based pricing will cause a dramatic change in who pays for what. 'It may not mean a change in average rates,' says Kahn. But he adds: 'It will cause a redistribution [of income] from individual users to business and from local callers to long-distance callers.'

Although business and long-distance rates will rise less slowly-if not actually decline-there will be a dramatic jump in the cost of local service. Most residential customers in the U.S. can make an unlimited number of local phone calls for an average monthly charge of $11.38. Under cost-based pricing, that flat rate will double. Ultimately, the local telephone companies want to shift customers to metered service in which they pay per phone call.

On top of the proposed local rate hikes, the FCC intends to levy an access charge to replace the subsidy that long-distance users now provide to local users. That support now averages 50 cents to 60 cents of every long-distance dollar. Instead, the FCC wants to charge an access fee of $2 per residential phone line and as much as $6 per business line.

On balance, however, residential consumers eventually will get better service if at somewhat higher rates, and business users will pay considerably less than they do now. The rise in local rates is expected to be offset by the decrease in long-distance rates and by allowing telephone users to buy rather than rent their equipment. 'By 1990, the average user won't pay much more than they do now,' maintains Robert E. La Blanc, a New Jersey consultant.

Many supporters of deregulation question whether the dislocations will be as serious as opponents say. Last year, they note, the average employee in manufacturing had to work only 1 hour and 20 minutes to pay the average monthly local telephone bill of $11.38. So even if local rates were to double, the impact would not be devastating for most people.

BLOW TO THE POOR? Since 1972, phone rates have increased 43%, but the consumer price index has risen 130%. 'Nobody likes rising rates, but even with the increases, phone rates in real terms will only be catching up with the level of prices for other goods and services in 1970,' says Nina W. Cornell, president of Cornell, Pelcovits & Brenner Economists Inc. in Washington.

Some of the nation's poor will be hurt by the rise in rates. But rather than proposing to build subsidies into the rates to help the poor, many in the telephone industry are proposing government aid. 'There is no reason why there can't be welfare for phone service,' says Paul H. Henson, chairman of Uni-Carrier Telecommunications Inc. in Kansas City, the third-largest independent telephone company. Some are proposing that the government copy the Food Stamps program and issue "telephone stamps," or even give welfare clients a free telephone hookup, charging them only for the calls they make.

Such arguments are not very convincing to the public. Upset by the jump in the cost of local calls, the public is pressuring regulators and legislators to slow down deregulation. 'In the long run, deregulation of the telecommunications industry will benefit consumers, but we're concerned about the transition period,' says Robert Nichols, attorney for Consumers Union, which is lobbying for legislation to postpone the price changes. 'The next 5 to 10 years will be confusing for consumers,' he says.

These opponents are winning support from Capitol Hill. At the beginning of November, the House voted to prevent the FCC from imposing telephone access charges. Of concern to the House was the possibility that, because of the access charge and other

(Continued on page 7)
increases, millions of poor or retired people on fixed incomes would be forced to give up their telephones in the face of doubling rates. The Senate promises to consider similar legislation at the beginning of the year.

Most observers believe that it is impossible to stop deregulation. "Technology would have made deregulation happen in any event," says Thomas A. Vanderslice, president of GTE Corp. New ways of transmitting information, such as satellites, cable television, fiber optic cables, and microwave radio, have made it economically and technically feasible to bypass the telephone entirely. Average rates that force businesses to pay more than they want to have encouraged them to set up private networks. And hundreds of companies--including Gannett, Federal Express, and Wang Laboratories--are setting up their own satellite long-distance networks.

"A LOT OF CHOICE." Supporters of deregulation point out that the century-old telephone business is already benefiting. For example, competition in the equipment business has had the expected benefit of increasing both the variety of products on the market and the features they offer, while cutting their cost. A decade ago, all the telephone could be used was to dial calls. Today, phones can automatically dial memorized numbers, put calls on hold, and time calls.

Similarly, private branch exchange telephone systems for businesses cost little more than they did 10 years ago but can now automatically route outgoing long-distance calls to the least expensive lines and carry computer data as efficiently as voice calls. The ability to purchase telephone equipment "is giving the individual a lot of choice and in the long run the opportunity to save money as compared to having the phone rental built into the rates," says La Blanc.

Competition for long-distance calls has also dramatically reduced those prices. MCI Communications Corp., for instance, charges just 37 cents for a one-minute call between St. Louis and Atlanta. Bell charges 62 cents. And competition has given rise to a variety of services not available from AT&T, such as satellite and data communications services. For example, companies such as Telenet and Tymnet have set up special networks to carry computer data instead of trying to squeeze it into traditional phone lines.

In the long run, diversification will help the market operate more efficiently, but getting from here to there will be a painful process. Because telephone service affects some 96% of the population, the public backlash and the congressional response to that backlash may turn out to be greater than in the other sectors now being deregulated.

GRATIFICATION. "Competition is very messy," says Mark S. Fowler, FCC chairman. "You can't draw nice, clean lines." Fowler's experience so far is a good example of the kinds of passions deregulation of communications can arouse. Public interest groups and members of Congress lambast him for not caring about consumers. Business lobbies complain that he makes it difficult to understand the new competitive environment. Even one of his mentors, Ronald Reagan, has called on Congress to oppose a Fowler pet project--repeal of TV syndication rules. "There is no instant gratification when you go from regulation to deregulation," Fowler says.

The most difficult time in the move toward deregulation is fast approaching. At the start of the year, Fowler will have to deal with AT&T divesting itself of its local phone companies--the biggest step yet in breaking up the communications industry. In the eyes of many, the current telephone system works very well. They cite the old saw: "If it ain't busted, don't fix it." Says Fowler: "The greatest challenge of any regulatory agency is to explain why deregulation is good, to draw pictures."

For Fowler and others behind the drive for deregulation, the picture is simple. "The entrepreneurial spirit has been bridled by decades of mindless regulation," he declares. "While competition in the marketplace isn't perfect, it is better than regulation."

("A Quantum Leap For Communications," is reprinted from the November 28, 1983 issue of BUSINESSWEEK.)

Nashville seminar speaker
Joe Massey from JTM Associates, Atlanta, Georgia
By Bob Laird, USA TODAY

Alaska and Hawaii are served primarily by GTE Corp. Connecticut and the Cincinnati area are served by independent phone companies in which AT&T holds — and will continue to hold — minority ownership.

Southwestern Bell managers have always been over their head: the bleating growth of their five-state territory, with Dallas and Houston setting the pace. Because of that, the company has posted the Bell System's fastest-growing revenues and expenses.

The problem is Southwestern Bell's debt. Past expansion construction has saddled it with $5 billion in long-term debt out of a total debt of $8 billion and given it an unhealthy debt-to-equity ratio of 44 percent. Atop that is the problem of Texas, which has half the company's lines. Its spread-out population pushes costs up and gives Texas an abnormally high percentage of in-state toll calls — a business the Bell South lost.

Southwestern could lose 33 percent of its Texas sales.

Bell Atlantic was dealt a mixed hand:

- At top: The lowest operating costs of any regional company, low debt and the biggest invest-
ment in employees' access line.

- At left: A dense population, making customers costly to serve, but easier prey for com-
petitors.

- At center: Limited population growth, plus the burden of serving high-cost rural areas in Vir-
ginia and Pennsylvania.

- At bottom right: A steep rise in the cost of labor and equipment, which has been getting more and more expensive for phone companies.

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