

# New Territory For Industry

By PETER J. SCHUYTEN

The decision by the Federal Communications Commission to deregulate key portions of the telephone industry is perhaps the most far-reaching action affecting the industry since the original Communications Act of the 1930's.

Although the exact details of the commission's ruling Monday have not been made public, the main points appear to be these:

## News Analysis

¶The American Telephone and Telegraph Company is at last free to enter the data processing business. With A.T.&T. barred until now, data communications processing — the transmission and manipulation of data between computers and from computers to home and office terminals — has been dominated by a number of smaller companies.

¶The price of terminal equipment, everything from an ordinary home



telephone to "intelligent" data terminals, will no longer be determined by regulated tariffs but rather by free market forces.

¶Both the Bell System and the General Telephone and Electronics Corporation must maintain arm's-length subsidiaries to market customer equipment, including the futuristic television-like terminals that might someday be used in the home to retrieve all types of news and information. These sub-

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# Implications of Phone Ruling

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subsidiaries must operate with enough independence to avoid the charge that the parent companies are using their monopoly positions to dominate the data communications industry.

¶The distinction between data processing (manipulation of data in the form of words and numbers) and telecommunications (the transmission of voices, the traditional domain of phone companies) will disappear.

It is this last point that ultimately, in the eyes of many observers, forced the commission's hand in undertaking what has come to be known in the industry as Computer Inquiry II.

For more than a decade the F.C.C. has been trying to resolve the basic question of what constitutes data processing and what constitutes telecommunications. For just as long, the two technologies have outraced the regulatory environment.

"Every time the commission tried to separate the two fields, they got closer together," said one telecommunications industry observer. "Now the commission in effect is forcing the issue itself by opening up the data processing business to communications carriers."

Nevertheless, the decision to deregulate the telephone industry has set off waves of uncertainty in both the Justice Department and the industry itself.

"One thing that is clear is that nothing is clear at this point," said Steven G. Chrust, a telecommunications industry specialist with Sanford C. Bernstein Inc. "Nobody has seen a written version of the decision," he said, "but it's likely to be litigated by virtually everybody."

For one thing, the decision to allow the Bell System to enter the data processing industry appears to fly in the face of the company's 1956 consent decree with the Justice Department under which A.T.&T. agreed to stay out of unregulated businesses, including data processing, which was then in its infancy.

"Essentially it's a very sticky situation since the commission appears to be making an interpretation of the consent decree and it's not clear whether that interpretation will fly," said Dale Hatfield, associate administrator for policy for the Commerce Department's National Telecommunications and Information Administration.

For its part, the Justice Department has not decided what action, if any, it will take with regard to the commission's decision. "The F.C.C.'s decision is not consistent with the position we took with regard to the consent decree," said a department spokesman. "Conceivably the issue could be raised by interested parties before the court."

The telephone companies do not appear overjoyed by the commission's action.

General Telephone, for example, said in a statement: "The Federal Communications Commission has

acted to 'deregulate' 'enhanced' communications services and the provision of terminal equipment. According to the information available, the F.C.C. would require that A.T.&T. and G.T.E. establish separate subsidiaries for the provision of these services. We are unable to assess what the impact will be on our corporation or the industry until

we have an opportunity to study the full text of the FCC order."

Meanwhile, A.T.&T.'s vice chairman, James T. Olsen, voiced concern about the degree of separation the order placed between the Bell System's operating companies and its Western Electric manufacturing arm and the Bell Laboratories.