

The Datapoint Marketing Newsletter

"Out-thinking our competition to help your customers out-think theirs"

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The Impending Communications Act Rewrite - and what it means to Datapoint

There has been a great deal of publicity created regarding the new Communications Act legislation. Datapoint, along with other data processing firms, has voiced opinions regarding this omnibus legislation. The press has, in some cases, interpreted this to mean that we oppose deregulation of the communications industry, or we are waging war with AT&T and that's not true.

To understand, you need to know the whole story.

AT&T - a legal monopoly

AT&T (Bell) supplies us with the majority of our communications services from a lines and equipment standpoint. They operate as a legal monopoly authorized in 1934 by Congress.

In recent years two thrusts have put pressure upon Congress to change the 1934 Act.

One, there are many companies who have proposed competitive long distance and telephone equipment services. These companies have been able to quickly implement new technology such as microwave and satellite and wish to sell their excess capacity.

Two, the boundaries between voice, data processing and data communications technologies have begun to dissolve. AT&T certainly realizes this and wishes to sell data processing services (the ACS proposal, for example).

The Consent Decree of 1956 generated as part of the settlement of an antitrust suit brought against AT&T by the Justice Department, specifically prohibits them from doing this.

The Impending Legislation

All of these forces, combined, prompted Congress to rewrite the 1934 Act, a task which essentially began over four years ago.

The legislation, HR6121 (House bill) and S2827 (Senate version) contains a large amount of text covering topics as diverse as newspapers, burglar alarm systems and rural phone rates. The part that affects Datapoint essentially is this -- AT&T would continue to exist as a monopoly in certain areas. It's 45 billion dollars size would stand. The enhanced services portion of AT&T's operation would become deregulated or open to competition. This basically includes the areas of data processing and long lines.

The Monopoly Problem

The problem, a complex one, stems from the difficulty of constructing legislation to define clearly and comprehensively the structure of the AT&T subsidiary that sells the data processing services.

Remember that a monopoly sets rates based on costs plus profits for the shareholders. As costs go up - your phone bills go up.

Datapoint, and others, are not convinced that the legislation contains safeguards that would prohibit AT&T from using their regulated resources and revenues (paid for by our phone bills) to establish the new data processing subsidiary - sometimes referred to as Baby Bell - thereby creating a cross-subsidized computer company.

This is an extremely complex piece of legislation and Datapoint feels that there has been too little public scrutiny of the proposed bills considering what their impact could be on the data processing industry. Public hearings on this bill have not been held since the most current language and structuring concepts have been incorporated. At the previous hearings some years ago there was little discussion of the effects of the legislation on the heavily-impacted data processing industry.

What is Datapoint's Corporate Position?

We are not opposed to competing with AT&T in the data processing market. Companies such as ours have thrived in an environment of intense, but fair, competition over the last two decades. Deregulation is not the issue.

What we are concerned about, and opposed to, is the passage of extremely complex legislation -- which can have a dramatic impact on a vital and rapidly growing industry -- without the most rigorous analysis by Congress.

Our recommendation calls for the legislation to make the AT&T computer company fully divested, which

means that it becomes a totally separate entity. Full divestiture has a number of benefits, the main ones being a totally financially separate operation from parent AT&T, and the second being the creation of further competition between parent and subsidiary as well as with the rest of the market. This greater competition should result in the emergence of better services than a more closely affiliated relationship between parent and subsidiary would create.

Let's look before we leap.

Congress has waited 46 years to rewrite this Bill. The argument has been made that "it can wait no longer". Our position is that Congress should not yield to pressure to pass a bill out of a sense of false urgency. This bill offers some improvements over previously proposed bills. However, more work needs to be done to insure that the intent of the bill -- to promote competition -- will be translated to practical reality.

Over the last six months we have been working concertedly with Congress to provide guidance and alternative language which would improve the competitive safeguards in the legislation. We will continue to pursue all possible avenues to insure that effective, comprehensive and equitable legislation is enacted by Congress.

Our plea, then, is that Congress open this legislation to public hearings and let's design a Communications Bill that we can all live with for another 46 years.

