

RETSKE REPORT:

Forgotten Time Capsule — WSJ Predictions from 1982

Recently a friend of mine, Harvey Starin, moved back to Florida from New Jersey. He had resided there for the past 14 years — working for AT&T, now Lucent Technologies, the AT&T equipment spin-off.

Harvey is well known by his friends for his dry wit and understated sense of humor. While unpacking from this move, he came across an issue of *The Wall Street Journal* he had borrowed from me, and neglected to return. Guilt got the better of him, and he returned it to me via the mail as soon as he found it.

I picked up the purloined newspaper, and although somewhat annoyed that Harvey had not included the second section, which contains current stock listings, I was nevertheless relieved to be able to finally finish my reading of the Jan. 21, 1982, issue of the *Wall Street Journal*.

All humor aside, I was very interested in this yellowing issue of the world's most respected financial publication, because the left-hand column lead article was entitled, "Bell's Future, A Newly Free AT&T Will Move Gingerly, Industry Watchers Say." The relevance of this article to events in today's burgeoning worldwide telecommunications market may not be obvious, but an analysis of the results of its prognostications may provide an insight into how seriously we should take today's industry pundits. (Myself excluded, of course).

Just days before the article was written (Jan. 15, 1982), AT&T, "the Bell System", had agreed to settle a five-year-old antitrust suit brought against it by the Justice Department. AT&T effected this by agreeing to spin off the local operating companies into separate operating companies, a process called "divestiture." At the time the article was written, the writer, and everyone else, assumed that there would be 22 feeble "Baby Bells" running the nation's local telephone companies.

Probably for the last time in history, Judge Harold J. Greene was not even mentioned in this early article about AT&T's breakup. In fact, as of the writing of this article, the case had not even been sent to a federal court for validation because the final details of the settlement had not been determined and were still being negotiated between Justice Department lawyers and

the 1,000+ attorneys of the AT&T Antitrust Special Task Force. When this article hit the street, Judge Greene probably had no idea that he would be assigned to preside over the largest organizational restructure since the fall of the Roman Empire.

OK, here are a few of the more sanguine quotes from the article:

"If the settlement is approved by a federal court (Judge Greene?!!) and not altered by Congress (shades of 1996), the company could become a formidable competitor of established rivals in computers, broadcasting, cable television, publishing and electronic parts and equipment manufacturing." (AT&T was going to compete with Radio Shack????)

"Later this year, it (AT&T) proposes to open a network of rooms equipped with video screens and cameras that will allow businesses to hold nationwide conferences without long-distance travel." (No! Don't do it. You'll lose Thousands.)

"In March, AT&T hopes to start Advanced Communications Service, which will enable computer terminals of various brands and speeds to send information to one another over telephone lines." (No! No! Don't do it! You'll lose Millions.)

"AT&T, of course, is expected to turn its sights on computers ..." (NO! NO! Don't do it! You'll lose Billions!)

"After adjustment for inflation, long-distance tolls have been declining generally for decades, and should continue to drop if such technologies as microwave networks and communications satellites continue to lower costs."

(Fourteen years later, both of these promising "new" technologies are being displaced by fiber for long distance voice telephony).

And, what is probably the most interesting quote of all, the article speculates on the future of the weak and anemic "local operating units," seen as a drain on the resources of AT&T:

"The company says it doesn't plan to sell the local operating units. But although spinning them off — issuing stock in some or all of them to current AT&T stockholders — would relieve the surviving company of aging facilities and slowest-growing businesses, it would generate no cash for investment in the company's future." (Maybe Worldcom would buy them, if you can just wait about 14 years).

On the editorial page of that same issue of *The Wall Street Journal*, a guest editorial by a columnist for the *Village Voice*, bemoaned the divestiture and its potential impact on the American consumer. This columnist was infuriated that AT&T was allowed to "give away the future railroads of this industry," and keep the "moneymakers," like the Yellow Pages. (No, the columnist was not Judge Greene). He boldly predicted that the quality of local service would decline because the "new owners" of the "22 subsidiaries" would not find it profitable at the given local rates, and would run into trouble with local regulators until the whole mess required taxpayer subsidies to survive.

Obviously, neither *The Wall Street Journal* reporter nor the columnist anticipated that local service subsidies would continue well into the '90s, and probably beyond, in the form of access charges. (The access charge issue in the United States is not over yet, by a long shot.) Nor could they predict that Judge Greene would give the Yellow Pages to the Regional Bell Holding Companies.

The point of this rambling is not to criticize the venerable *WSJ*, or even to

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