

MEMBERSHIPS

Asia Business Association
Association of Black Women Entrepreneurs
Local Black Business Associations
Black Chambers of Commerce
Hispanic Chambers of Commerce
National Minority Supplier Development Council
National Association of Minority Contractors
NAACP
National Association of Women Business Owners
National Center for American Indian Enterprise Development

FINANCIAL

Certificates of Deposit in Minority-Owned Banks
Lines of Credit to Minority-Owned Banks
Investment in National Minority Supplier Development Council's
Business Consortium Fund (BCF).

RECOMMENDATIONS

ESTABLISH MEANINGFUL DEVELOPMENTAL ASSISTANCE PROGRAMS

Major telecommunications companies must establish structured assistance programs that help develop viable minority-owned companies.

The programs would involve identifying MWBEs that demonstrate long range capability and goals to competitively serve the telecommunications industry. MWBE capabilities would then be evaluated to establish their classification as:

- Development Stage
- Emerging Stage
- Mature Stage

Assistance plans would be structured to address the development needs of MWBEs depending on the stage of development and actual company capabilities.

Development agreements would be established between MWBEs and major telecommunications companies outlining the development plan terms and conditions that comply with all Federal and state laws governing MWBE programs.

The new Development Assistance Programs must clearly distinguish between simply increasing the number of MWBEs receiving a larger number of purchases or contract awards each year versus emphasis on implementing a program that over time develops a viable base of MWBE suppliers capable of providing competitive products and services to the industry.

MWBE MANAGEMENT ASSISTANCE NEEDS

- Personnel Management**
- Customer Service**
- Vendor Relations**
- Contract Administration**
- Employee Loans**
- Purchasing**
- Inventory Management**
- Budgeting and Forecasting**
- Cash Management**
- Strategic Planning**
- Risk Management**

MWBE TECHNICAL TRAINING ASSISTANCE NEEDS

- Technical Apprenticeship Training Programs**
- Technology Transfer Programs**
- Systems Engineering and Design**
- Facilities Management**
- Statistical Process Control Systems**
- Project Analysis**
- Bid and Proposal Preparation**
- Product Development**
- Employee Loans**

MWBE FINANCIAL ASSISTANCE NEEDS

- Multi-Year Contracts**
- Joint-Ventures**
- MWBE Capital Development Funding**
- Joint R&D Contracts**
- Special Equipment Loans**
- Increased Contributions to (N.M.S.D.C.) BCF Fund**

ESTABLISH INDUSTRY-WIDE MENTOR-PROTEGE PROGRAM

It is common knowledge that many of the successful companies in the telecommunications industry became major subcontractors and suppliers as a result of special assistance they received from larger companies in the industry. These companies have developed special relationships with small manufacturers, subcontractors, and suppliers, who often lack the sufficient financial, technical, or management resources to succeed.

The telecommunications industry should establish a formal Mentor-Protege Program in order to:

- Foster the establishment of long-term relationships between minority-owned firms and major telecommunications companies;
- Increase the overall participation of minority subcontractors and suppliers in the telecommunications marketplace; and
- Provide meaningful developmental assistance to enhance the long-term capabilities of minority-owned companies in the industry.

INCREASED CONTRACT OPPORTUNITIES

The assistance being offered to MWBEs is generating purchases and subcontracts that are not part of a real business development plan. Consequently, the minority companies that have experienced growth in the industry found their growth to be extremely volatile and unpredictable. Dramatic increases and decreases in purchases and subcontracts from year to year reflect the lack of any real business development plan.

MORE LONGER-TERM CONTRACTS

Too many MWBEs are constrained to short-term contract opportunities. Telecommunications companies need to provide more long-term contracts to MWBEs, including the opportunity for more mature MWBEs to operate as prime contractors in order to develop real growth capacity. Telecommunications companies can identify specific product or service niches that offer long-term growth opportunities, and serve their own growth and network needs.

These long-term contracts would be structured to allow MWBEs reasonable profit margins which over a specified development period would allow MWBEs to become financially viable.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCUs)

Utilization of historically black colleges and universities for high-technology research and development, studies, and grants must be increased. The telecommunications industry is spending billions of dollars annually on research and development with only nominal R&D projects going to historically black colleges and universities. This becomes abundantly clear when compared to the assistance provided to white colleges and universities by major telecommunications companies.

Many of the HBCUs have excellent applied science and engineering programs that are continually improving manufacturing methods, management techniques, experimental research, and product development programs.

A key finding of our study revealed that there are no telecommunications degree granting programs among any of the nation's historically black colleges or universities. This severely limits minority-owned firms who wish to recruit minority employees with the qualifications and/or credentials, thus leaving minority companies no choice but to hire white managerial and technical help.²⁶

²⁶ An Investigation Into the Feasibility of Developing a Telecommunications Program at Clark Atlanta University. March, 1990.

Historically black colleges and universities could work closely with telecommunications companies to establish curriculum which would introduce, but not be limited to:

- Today's Communications Networks**
- The Future of Telecommunications**
- Exploring Transmission Technologies**
- Standard Organizations & The ISO Reference Model**
- Voice Communications**
- Data Communications**
- Local Area Networks**
- X.25 Packet Switching**
- T-1 Networking**
- Transmission Via Cables**
- Transmission Via Satellite**
- Transmission Via Microwave**
- Message Systems**
- Cellular Audio**

Telecommunications companies could sponsor MWBEs to attend these HBCU programs. Continuing Education Unit (CEM) credit could be awarded for participation in qualified programs.

SPONSOR MWBE APPRENTICESHIP PROGRAMS

Telecommunications companies should establish and sponsor MWBE apprenticeship outreach programs. Most of the technology, products and services in the industry require certificates of training.

The apprenticeship programs would help minority companies develop their technical capabilities as well as stay abreast of the industry's rapid technological changes.

Apprenticeship training could be provided at the educational facilities of major product and equipment manufacturers, as well as historically black colleges and universities.

The programs training would include but not be limited to:

Telecommunications Equipment

Installation

Operation

Maintenance

Example Applications

Central Office Equipment Installer

Central Office Equipment Repairman

Microwave Technician

Fiber Optics Installer

Carrier Repeater Installer

ESTABLISH MWBE TECHNOLOGY TRANSFER PROGRAM

Many small development stage companies have introduced new technologies and innovative products and services to the telecommunications industry.

Telecommunications companies should establish a special MWBE program in order to give MWBEs the opportunity to introduce their new technology-based products and services. MWBEs would be able to submit proposals to the program for beta test and special demonstration projects.

Technology transfer agreements would become part of or be separate from any other developmental assistance plans. Technology transfer can only lead to developing viable niches markets for MWBEs and enhanced products and services for the industry.

SPONSOR SPECIAL TELECOMMUNICATIONS INDUSTRY SEMINARS

The seminars would be aimed at assisting MWBE vendors in the telecommunications industry. It should be noted that standard MWBE trade fairs and conferences fail to address the industry-specific needs of MWBEs.

Moreover, telecommunications industry forums do not include minority business development programs and issues in their seminar agendas. Nor does the industry provide any special assistance to MWBEs in order that these companies can participate as attendees, exhibitors, speakers, and trainers. Most MWBEs are limited to minority trade fairs and conferences due to the cost of exhibiting and attendance at major industry seminars, coupled with a lack of MWBE outreach efforts by telecommunications associations and companies.

FINANCIAL ASSISTANCE

The National Minority Supplier Development Council (NMSDC) has recognized this challenge and has made a dramatic breakthrough in establishing the business consortium fund (BCF). The BCF is available to provide registered minority vendors with needed capital at affordable rates and offers an opportunity for larger companies to profit by investing in small minority-owned businesses. The BCF is a loan fund that is used to spur involvement by the nation's traditional source of vendor financing -- commercial banking -- while at the same time minimizing the amount of interest to be paid by the vendor. The BCF has been very successful with significant accomplishments.

AT&T and the Regional Bell Operating Companies, along with GTE and several other major telecommunications companies, participate as national corporate members of the NMSDC, and have made investments in the BCF ranging up to \$1,000,000.

AT&T Small Business Lending Corporation (SBLC), a subsidiary of AT&T Capital Corporation, has recently been approved as a licensed participant in the U.S. Small Business Administration's business lending program. AT&T will provide loans to various small businesses, but initially will focus its efforts in the franchise market.²⁷

²⁷ SBA News, No. 92-2. Release 1-8-92.

With more than \$1.6 billion in assets, 500,000 customer accounts and 2,000 employees, AT&T Capital Corporation is one of the largest equipment-leasing and finance companies in the U.S. It provides financing for both AT&T and non-AT&T products, including transportation, office, computer and manufacturing equipment. Hopefully, AT&T SBLC will use its financial resources to help develop minority-owned companies in the telecommunications industry.

JOINT-VENTURES, PARTNERING, AND ACQUISITIONS

Major telecommunications companies continue to be reluctant to form joint-ventures and partnering relationships with minority-owned companies.

Minority companies offer substantial opportunities to telecommunications companies looking to lower expenses, capture new market share, and acquire new technology. Minority companies are capable of teaming with the telecommunications companies to capture international market opportunities, i.e., Eastern Europe, Africa, and other developing countries.

Minority companies are also in need of equity capital in order to grow and develop. Major telecommunications companies should consider investment in minority-owned companies as they diversify their businesses, i.e., information services.

FEDERAL ACTIONS REQUIRED

Government must take the lead by enacting legislation that will ensure more meaningful minority business development programs. It is in the public interest that minorities be allowed to compete and grow in the telecommunications industry.

- (1) Based on past and present anti-competitive and discriminatory practices in the telecommunications industry, the government should establish goal-based, race and gender specific minority and women business development programs for the public utilities industry.**
- (2) The State of California has established model legislation, though the program's monitoring, verification, and enforcement has been remiss.**
- (3) New legislation must include explicit enforcement, compliance, and punishment for violations of the law.**
- (4) Meaningful minority and women business developmental programs must be established, monitored, and verified at both the Federal and state levels.**
- (6) Congress can help end discrimination in contracting by specifically making this form of discrimination illegal and by permitting states and local governments to enact remedial classification that the Supreme Court has argued they cannot do on their own.**

CONCLUSION

Discrimination against minorities continues to damage America's economic and social health.

It has become increasingly more evident that America cannot remain a prosperous and competitive world power while continuing to limit the ability of minorities to compete in the free enterprise system.

This is so because minorities represent the fastest growing segment of the nation's population. While technological advancements in the telecommunications industry will continue beyond the 21st century, we must remember that people have always been our society's most important resource.

Our challenge is to maximize the distribution of skills, knowledge and economic opportunities available to all of the various groups of our multicultural, multiracial society.

MWBE Development Programs

MAJOR CITY MINORITY POPULATIONS

City	% Black	% Asian	% Hispanic	Combined Totals
Atlanta	67.1	0.9	1.9	69.9
Boston	25.6	5.3	10.8	41.7
Chicago	39.1	3.7	19.6	62.4
Dallas	29.5	2.2	20.0	52.6
Denver	12.8	2.4	23.0	38.2
Detroit	75.7	0.8	2.8	79.3
Houston	28.1	4.1	27.6	59.8
Los Angeles	14.0	9.8	39.9	63.7
Miami	27.4	0.6	62.5	90.5
New York	28.7	7.0	24.4	60.1
Philadelphia	39.9	2.7	5.6	48.2
San Jose	4.7	19.5	26.6	50.8
Washington, D.C.	65.8	0.7	13.4	79.9

Source: U.S. Census Bureau - Cities 105,000 or more in 1990 population.

**TELECOMMUNICATIONS INDUSTRY
BACKGROUND AND ANALYSIS**

DIVESTITURE OF AT&T

I. BACKGROUND

On November 20, 1974, the Department of Justice, on behalf of the United States, instituted an action against American Telephone and Telegraph Company (AT&T), the parent organization, Western Electric Company, Inc., its wholly-owned manufacturing subsidiary, and Bell Laboratories, Inc., its jointly-owned research and development arm, alleging that they had violated Section 2 of the Sherman Act (15 U.S.C. sec. 2)²⁸ by conspiring to monopolize the domestic telecommunications industry.²⁹ The Justice Department initially sought relief in the form of divestiture of the Bell Operating Companies (BOCs) and the divestiture and dissolution of Western Electric. Prior to the commencement of the trial, however, the Justice Department modified its relief request to seek as a first alternative the divestiture of the BOCs from the remaining AT&T network so that local exchange functions would be separated from the remaining AT&T functions.

According to the Justice Department, AT&T used its monopoly power in regulated areas to exert control and competitive advantages in the then newly-unregulated telecommunications market. More specifically, the Justice Department determined that AT&T violated the antitrust laws by conspiring to monopolize the interstate trade and commerce in three major markets:

- A) Intercity Telecommunications Services;
- B) Customer-Provided Equipment (CPE); and
- C) Telecommunications Equipment.

A. THE INTERCITY TELECOMMUNICATIONS SERVICES MARKET

In 1969, the courts and the Federal Communications Commission (FCC) authorized the entrance of competitive activity in the intercity telecommunications services market – the market which provides point-to-point long distance service between cities. Although this market was facing an increasing degree of competitive activity, prior to the divestiture of

²⁸ The Sherman Act became law on July 2, 1890. Section 2 states: "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several states, or with foreign nations, shall be deemed guilty of a misdemeanor...."

²⁹ United States v. American Telephone and Telegraph Co., Civ. no. 74-1698 (D.D.C., filed Nov. 20, 1974).

AT&T, these competing firms (e.g., MCI Telecommunications Corporation,) supplied about 8 percent (based on revenues) of intercity telecommunications services. Under the predivestiture environment, the Bell System, in partnership with the other established carriers, provided the remaining market needs.

Since most of these competing carriers only owned intercity transmission facilities,³⁰ they were dependent on the local exchange network to both complete their connection and reach their customers. According to the Justice Department, AT&T's undisputed dominance over the local telephone network (80 percent of the Nation's telephones were provided by the BOCs) enabled AT&T to hinder their competitors' access to that network, to the advantage of its own intercity network. This was accomplished, in some cases, by refusing to provide interconnection, and, when supplying interconnection, by doing so in a technically inferior manner, and at questionable rates.

The Justice Department further determined that AT&T also hindered competition by cross-subsidizing competitive services with revenues from its monopoly services. This cross-subsidization enabled AT&T to set prices for its competitive intercity services at an unjustifiably low price, without regard for incurred costs. This predatory pricing behavior enabled AT&T to undercut the fees charged by its competitors, further inhibiting the development of competition in the intercity telecommunications services market.

B. THE CUSTOMER PREMISES EQUIPMENT MARKET

The Justice Department also determined that AT&T unnecessarily thwarted the entry of competition in the customer-provided (CPE) market by implementing restrictive attachment policies for AT&T system subscribers.³¹

Prior to 1968, AT&T operated under a "foreign attachment" policy which forbade its subscribers to attach to their telephone lines or equipment any equipment not provided by the AT&T network. This policy was justified by AT&T on the contention that such foreign attachments might impair the quality of its service.

³⁰ A major exception to this occurred in June 1983, when GTE Corp., the Nation's second-largest telephone company, acquired Southern Pacific Company's long distance telephone, microwave, and satellite units. The long distance subsidiary's principal business at that time was SPRINT, a long distance communications service accessed through local exchange telephone lines.

³¹ Customer provided (CPE) was defined as equipment independently purchased and supplied by the subscriber which is connected to telephone company facilities to terminate or adapt that facility for customer use (e.g., a word processor or a simple telephone receiver).

Since the AT&T network provided 80 percent of the Nation's local telephone service, the Justice Department determined that this "foreign attachment" policy enabled AT&T to use its monopoly position to restrict CPE competitors to such a limited market as to make competitive entry economically unfeasible.

It was not until the FCC struck down this "foreign attachment" policy in its 1968 "Carterfone Decision" that meaningful competition in the CPE market developed.³² Finding the policy to be unreasonable and discriminatory, the FCC said that the telephone subscriber had the right to attach any equipment as long as such equipment did not adversely affect the telephone system.

The Justice Department also determined that, despite the "Carterfone Decision," AT&T continued to attempt to inhibit competitive entry into the CPE market by filing with the FCC a requirement that the interconnection of any customer-provided equipment not supplied by the Bell Operating Company (BOC) be accompanied by a "protective connecting arrangement" furnished, installed, and maintained by the local BOC. Although this requirement was also overturned by the FCC, and an FCC-maintained registration program for all CPE was established, the Justice Department determined that AT&T's action was an additional display of anticompetitive behavior, further inhibiting the purchase of competitors' CPE.

According to the Justice Department, both of these restricting policies -- the "foreign attachment" policy and the "protective connecting arrangement" policy -- erected barriers to competitors, thereby unnecessarily hindering market place competition and enhancing the position of AT&T's manufacturing arm, Western Electric, in the CPE market.

C. THE TELECOMMUNICATIONS EQUIPMENT MARKET

The Justice Department also determined that AT&T used its position to inhibit competition in the telecommunications equipment market -- that is, the market which supplies the network switching and transmission equipment purchased by the industry. According to the Justice Department, AT&T, as the parent corporation, used its position to enhance the procurement relationship between the Bell Operating Companies and its vertically-integrated equipment manufacturer, Western Electric, to the detriment of other competing network telecommunications equipment suppliers.

Western Electric, AT&T's wholly-owned manufacturing subsidiary, was able to enhance its market position through the centralization and standardization of the Bell Operating Companies' procurement needs as well as through its obtaining early access to information regarding the Bell System's future needs. According to the Justice Department, both AT&T and Western Electric not only withheld vital technical information which

³² Use of the Carterfone Device, 13 FCC 2d 420, [1968].

Industry Background and Analysis

prevented telecommunications equipment competitors from offering comparable equipment to the BOCs, but in some cases, used their authority to directly prevent the purchase of competitive equipment. Since the Bell System has been the major purchaser of industry equipment, the Justice Department claimed that these actions which inhibited Bell System purchase of competitive equipment had a serious detrimental effect on the growth of competition in the telecommunications equipment market.

Presentation of detailed trial evidence supporting the Government's case against AT&T was scheduled to be completed in January 1982, and the presiding judge was expected to rule on the case by mid-summer. On January 8, 1982, however, AT&T and the Justice Department reached a proposed negotiated settlement. Although this settlement expressly stated that it did not constitute an admission of AT&T's liability, AT&T agreed to divest itself of its BOC's local exchange network and observe additional Justice Department competitive requirements. This was in exchange for the vacating of the suit and the removal of the restrictions of a previously negotiated consent decree which, among other provisions, precluded AT&T's entrance into any other than regulated communications markets.³³

³³ U.S. Library of Congress. *The Divestiture of The American Telephone and Telegraph Company*: Angeles A. Gilroy. Washington, 1983.

II. PROVISIONS CONTAINED IN THE U.S. DEPARTMENT OF JUSTICE/AT&T SETTLEMENT OF JANUARY 8, 1982

The seven-year antitrust suit initiated in 1974 by the Justice Department against AT&T was vacated as a result of court approval, after modification, of a negotiated settlement achieved between the parties. Under the proposed settlement, AT&T agreed to the divestiture of the local exchange operations of its 22 wholly-owned operating companies.³⁴ AT&T also agreed to additional requirements to assure the removal of any possible BOC incentives to discriminate against AT&T's competitors in the provision of exchange access and equipment procurement.³⁵ In exchange, the Justice Department

³⁴ The Twenty-two Wholly-Owned Bell Operating Companies (BOCs)
(prior to January 1, 1984).

Bell Telephone Company of Nevada
Illinois Bell Telephone Company
Indiana Bell Telephone Company, Incorporated
Michigan Bell Telephone Company
New England Telephone and Telegraph Company
New Jersey Bell Telephone Company
New York Telephone Company
Northwestern Bell Telephone Company
Pacific Northwest Bell Telephone Company
South Central Bell Telephone Company
Southern Bell Telephone and Telegraph Company
Southwestern Bell Telephone Company
The Bell Telephone Company of Pennsylvania
The Chesapeake and Potomac Telephone Company
The Chesapeake and Potomac Telephone Company of Maryland
The Chesapeake and Potomac Telephone Company of Virginia
The Chesapeake and Potomac Telephone Company of West Virginia
The Diamond State Telephone Company
The Mountain States Telephone and Telegraph Company
The Ohio Bell Telephone Company
The Pacific Telephone and Telegraph Company
Wisconsin Telephone Company

³⁵ While divestiture of its interest in its two partially-owned companies was not required in the settlement, AT&T announced that it would sell its shares in SNET during 1984 through public offerings and that it had reached an agreement with Cincinnati Bell for the repurchase of the Cincinnati Bell shares over a 5-year period. As of January 1, 1984, AT&T put its shares in both companies in a voting trust until their sale.

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agreed to vacate the suit, stating that there was no finding or admission of AT&T's liability, and to modify the terms of a 1956 consent decree so that AT&T would no longer be restricted to only engaging in the furnishing of regulated communications services.³⁶ The abrogation of restrictions in this decree enabled AT&T to enter into unregulated activities such as the computer equipment and data processing markets.

Terms of the Justice Department/AT&T negotiated settlement permitted AT&T to keep its long lines and international divisions, Western Electric (its manufacturing arm), Bell Laboratories (its research and development arm), and gain control of the BOC's interstate long distance network as well as BOC-provided CPE. The BOCs were largely restricted to providing exchange access and exchange telecommunications services (both local and toll) encompassing natural monopoly services regulated by tariff. This framework allowed the Justice Department's basic precept which was the separation of regulated from unregulated services with the BOCs largely keeping the former, and AT&T the latter. An exception to this guideline occurred with the assignment of Bell System interstate and intrastate long distance, or interexchange, service to AT&T, based on its increasingly competitive nature and future outlook for possible deregulation.

Although later modified to some degree as a condition of judicial approval, the following structural, and injunctive requirements, designed to ensure a non-discriminatory competitive environment in telecommunications markets were contained in the proposed January 8, 1982, settlement.

³⁶ The 1956 consent decree was agreed to by AT&T as a condition of settlement of a 1949 antitrust case brought by the Justice Department against AT&T and its manufacturing affiliate. The Justice Department, at that time, was seeking the divestiture of AT&T's manufacturing arm, Western Electric Company, Inc., on the basis that the defendants had monopolized and conspired to restrain trade and commerce in the telephone equipment and telephone supplies market. In addition to AT&T's restriction to regulated (continued) (continued) communications services other provisions in the decree required AT&T to grant to applicants non-exclusive licenses for all existing and future patents as well as furnish specific technical information regarding such patent licenses. AT&T, however, was permitted to collect reasonable royalties from these licenses, and applicants, in turn, were required to grant similar privileges to AT&T on request with regard to their common carrier communications equipment. Permission for AT&T to acquire any firm engaged in the manufacture, distribution, or sale of equipment was prohibited, without prior court approval. These provisions were deleted and a new set of both structural and injunctive provisions was developed.

A. STRUCTURAL REORGANIZATION REQUIREMENTS

The major structural requirement imposed by the settlement mandated the reorganization of AT&T so that both exchange service and access provided by its 22 BOCs were separated through divestiture from the remaining AT&T network. This separation of the local exchange function from AT&T's other functions was accomplished by:

- transferring to the BOCs enough facilities, staff, technological information, systems and rights to operate exchange telecommunications and exchange access functions independently from the remaining AT&T network.
- separating and transferring to AT&T all the BOCs functions and facilities except for those needed for the performance of interchange switching and transmission capacity, CPEs, and yellow pages operations.³⁷
- prohibiting the joint ownership of facilities between AT&T and the BOCs. The sharing of multifunction facilities, that is, facilities used jointly to provide both exchange and interchange functions, is permitted as long as the BOCs retain control over all exchange telecommunications and exchange access functions.
- terminating all license contracts and standard supply contracts between AT&T and the BOCs. These contracts were arrangements agreed to by the BOCs and AT&T (including its subsidiaries, Western Electric Co. and Bell Labs) for the provision of services, research and development, and equipment. Termination of these contracts largely eliminated the economic integration between the AT&T system and the BOCs.
- transferring ownership from AT&T of the portions of the BOCs providing exchange access and exchange telecommunications services through the spin-off of stock of the separated BOCs, or other disposition to the present AT&T shareholders.
- prohibiting the purchase of any stock or assets of the divested BOCs by the AT&T system after reorganization.³⁸

³⁷ The publication and distribution of directory advertising (i.e., Yellow Pages) was later transferred to the BOCs, as was the ability to offer new CPE.

³⁸ This did not preclude the sale of multifunctional facilities by a BOC to AT&T if the BOC no longer wishes to use such a facility.

- permitting the BOCs to jointly support and share the costs for a centralized organization for the provision of engineering, administrative, and other services which can be most efficiently provided in such a manner.
- requiring the BOCs to establish through a central organization a single contact point to meet national security and emergency preparedness requirements.
- granting to the BOCs the right to consolidate into any number of entities as desired as the result of reorganization.

B. BELL OPERATING COMPANY EQUAL ACCESS AND PROCUREMENT REQUIREMENTS

In addition to the settlement's reorganization requirements which proposed to eliminate the economic and structural ties between the BOC's local exchange network and the remaining AT&T network, the BOCs were also subject to injunctive provisions containing additional requirements to further complement these goals. These injunctive requirements contained additional behavioral responsibilities for the BOCs to assure equal access and procurement policies to all interexchange carriers and equipment suppliers. According to the Justice Department, these additional requirements were designed to ensure that the BOCs would not abuse their monopoly power over the local exchange network to the detriment of AT&T's competitors in the intercity services, information services, and the CPE and telecommunications equipment markets. More specifically, as detailed in the initially-negotiated settlement, these provisions:

- limit the BOCs to providing only exchange access and exchange telecommunications services encompassing only natural monopoly services regulated by tariff. The BOCs or their affiliates may not supply interexchange or information services nor manufacture or provide telecommunications products or CPE. These restrictions are placed on the BOCs to assure that anticompetitive incentives similar to those which existed in the pre-divested AT&T system do not re-emerge.³⁹
- prohibit BOC discrimination with respect to product and service procurement and the dissemination of technical information, procurement, and interconnection standards.

³⁹ Some of the restrictions were later modified as a condition of judicial approval of the negotiated settlement.