

INTERNATIONAL MARKETS

There are about 350 providers of international telecommunications services in the United States, and they use both satellites and undersea cables made of either copper or optical fiber. Satellite services are made available through the Communications Satellite Corp. (COMSAT), a private community that is the U.S. signatory to the International Telecommunications Satellite Organization (INTELSAT) and the International Maritime Satellite Organization (INMARSAT) consortia. In recent years, the FCC has authorized private undersea cables and satellite systems to compete with COMSAT, traditional telephone carriers such as AT&T, and the International Record Carriers (IRCs) that provide telex and telegraph services. The majority of international carriers lease circuits from firms that own satellite and cable facilities, and resell them to the public for a profit.

The market for international services is segmented into International Message Telephone Services (IMTS); specialized services such as private line, ISDN, and virtual networks; the traditional telex and telegraph record services; and International Value-Added Network Services (IVANS). The compound annual growth rate for international voice telephone service is about 4-5 percent. Total international telecommunications services revenues were about \$12.5 billion in 1992. Other international activities of the RBOCs include cable television, computer software, directory publishing, network management, packet-switched data communications, Personal Communications Networks (PCNs), and voice mail systems.

FOREIGN VENTURES

The internationalization of world markets, the political changes in Europe and the Far East, the increased disposable income in many third world countries, and the decrease in trade barriers, promise accelerated world trade beyond anything previously imagined.

Since existing Federal barriers do not apply overseas, and Judge Greene has largely chosen not to apply MFJ restrictions to purely overseas expansion into services that would likely be prohibited if attempted in the United States. Although still comprising a small part of RBOC revenues, it is clear that the RBOCs are turning to foreign markets to gain entry into areas presently prohibited to them in the United States. (see "Major American Deals Abroad," p. 29.)

Alliances among U.S. and foreign telecommunications providers are becoming commonplace in the industry.

AT&T now has service agreements with Australia, Belgium, Canada, France, Japan, and the United Kingdom, while US Sprint and Cable & Wireless have combined their resources to offer service to at least seven countries. Domestic Virtual Private Networks

(VPNs), introduced in 1986, now have more than 1,000 customers. International VPNs grew slowly in 1991, but the numbers are likely to accelerate in 1992.

During 1991, MCI Telecommunications allied with 15 foreign telephone carriers to provide a service called Global Communications Service to manage international private networks. Locations are in Brazil, Canada, Germany, Guam, Hong Kong, Ireland, Italy, Japan, Korea, Mexico, Sweden, and the United Kingdom.⁵⁷

Many U.S. firms have begun to offer telecommunications services to the domestic markets of foreign countries, rather than simply on an international, cross-border basis. The RBOCs in particular, are investing heavily in overseas ventures such as paging and cellular mobile telephone. The RBOCs also have capitalized on a wave of privatization sweeping the world's monopoly telephone companies in recent years, investing heavily in foreign telephone companies put up for sale by their governments. During 1991, Southwestern Bell purchased an interest in Telmex, Mexico's state-owned telephone operator, and several RBOCs bid to take over operations of the Venezuelan telephone company, CANTV. This followed acquisitions in 1990 of the New Zealand phone company by Ameritech and Bell Atlantic.⁵⁸ Two RBOCs also competed during 1991 to be Australia's second telephone service provider.⁵⁹

⁵⁷ Baby Bells Take Their Show on the Road, Business Week, June 25, 1990.
Ma Bell and Seven, Fortune Magazine, November 4, 1991, p. 15-19.

⁵⁸ Since Telecom Corp. is a full service telephone company providing local, long distance, and international services, Ameritech and Bell Atlantic will seek a waiver of MFJ long distance (interexchange) restrictions to allow them to provide international service between New Zealand and the United States. As of now, plans call for the consortium's New Zealand partners to form a separate company to handle such traffic.

⁵⁹ U.S. Department of Commerce, International Trade Administration.

Industry Background and Analysis

MAJOR AMERICAN DEALS ABROAD

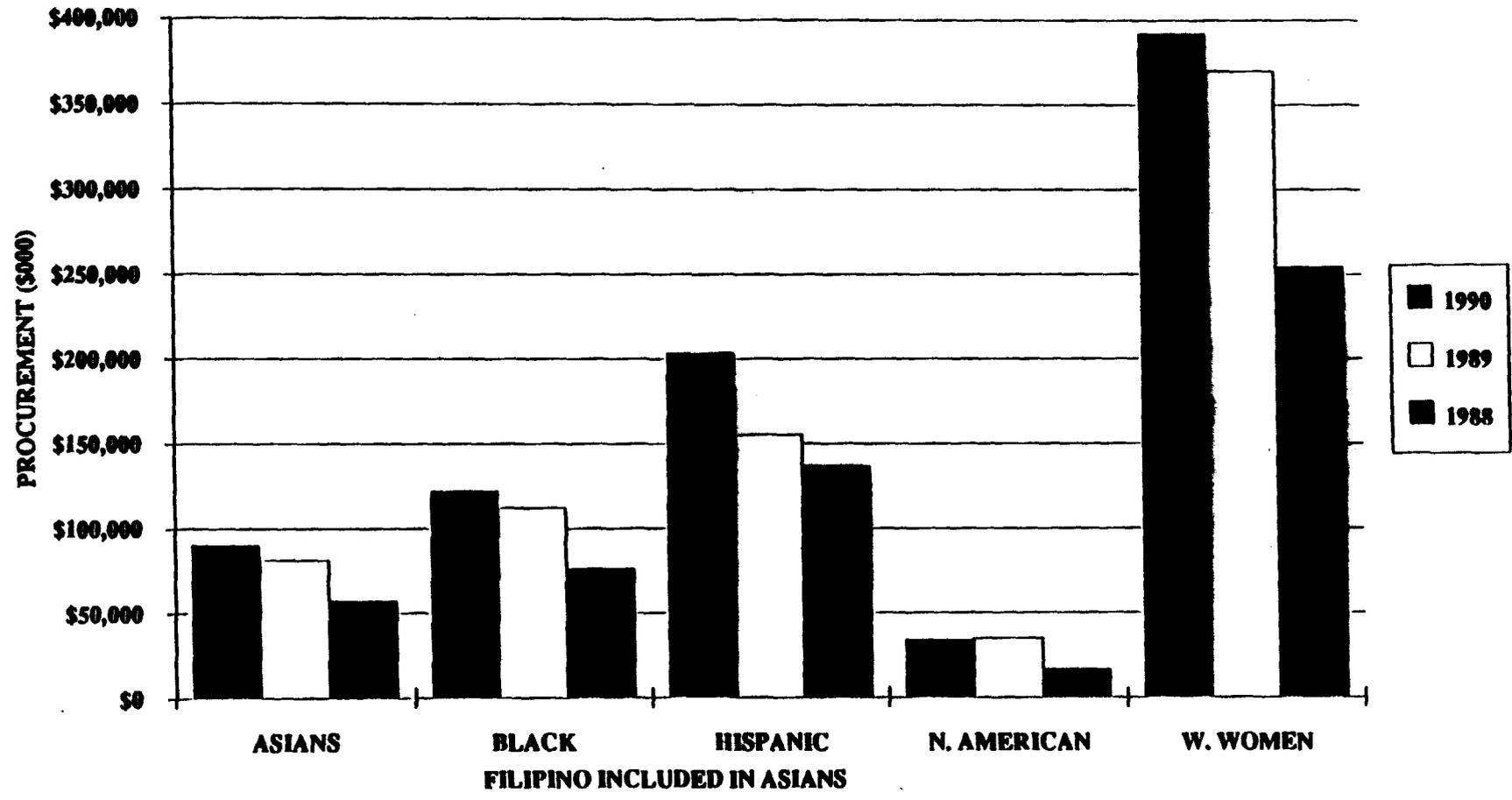
COMPANY Date/Venture	VALUE* (millions)	DESCRIPTION
AMERITECH and BELL ATLANTIC September 1990/Acquired Telecom from New Zealand government	\$2,460	Along with two local firms, assumed ownership of New Zealand's state telephone company, including cellular and directory services.
NYNEX July 1990/Awarded 11 cable franchises in Britain	\$1,100	Will provide local service and cable TV. The deal will make NYNEX the largest cable franchise owner in Britain.
SOUTHWESTERN BELL December 1990/Acquired controlling interest in Telmex of Mexico	\$963	Will manage and modernize Mexico's telephone system. The consortium includes France Telecom and Grupo Carso of Mexico.
PACIFIC TELESIS December 1989/Awarded a national cellular license in Germany	\$900	The consortium, led by Mannesman AG, will build and operate the second digital cellular system in Germany, to compete with Deutsche Bundespost.
US WEST December 1989/Awarded a 14 cable franchise in Britain	\$300	US West holds a minority interest in each of the franchises. Most will provide telephone service as well as cable TV.
AT&T November 1990/Awarded contract to supply switching equipment in Indone- sia	\$250	Building 350,000 lines of digital switching capacity for the state telephone system. The deal included a U.S. government-backed 25-year loan at 3.5%
NORTHERN TELECOM March 1988/Awarded contract to sup- ply switching equipment in Japan	\$250	Only non-Japanese supplier of switching equipment to NTT. U.S. subsidiary initiated deal and made equipment. To date, 900,000 lines of capacity installed.
US WEST December 1989/Awarded license for communication network in Britain	\$240	The consortium, which includes Thorn EMI, Northern Telecom, and Deutsche Bundespost, will develop personal communication network for pedestrians.
BELL SOUTH and MOTOROLA February 1989/Awarded cellular li- cense in Argentina	\$220	Bell South leads a consortium, including two Argentine companies, that built the first privately owned cellular network in South America.
BELL ATLANTIC and US WEST November 1990/Awarded cellular license in Czechoslovakia	\$00	Joint venture with the state telephone company to build and operate cellular and data networks and modernize the basic telephone network.

* Sums represent contribution of U.S. participants over life of project.
Source: "Babies Go Global," *Fortune*, November 4, 1991.

APPENDIX I

Table I

Total Procurement by Minority Status and Gender, 1988-90



Source: CALIFORNIA PUBLIC UTILITIES COMMISSION

Appendix I

Table II

California 1990 WMBE Procurement Results for Large Utilities

	1	2	3	4
	Total Procurement	Minority Procurement (Male/Female)	White Female	Total MWBE (Columns 2&3)
	(\$000s)			
AT&T	\$ 184,569	18,166	10,923	29,089
	% 100	9.80	5.90	15.70
GTE	\$ 324,594	55,311	64,768	120,079
	% 100	17.00	19.95	36.99
PBell	\$ 2,232,221	203,626	160,400	364,026
	% 100	9.12	7.19	16.31
PG&E	\$ 1,043,535	86,921	79,116	166,037
	% 100	8.30	7.60	15.90
SDG&E	\$ 147,363	18,276	13,423	31,699
	% 100	12.40	9.11	21.51
SCE	\$ 937,614	106,565	60,853	167,418
	% 100	11.40	6.50	17.90
SoCal Gas	\$ 361,255	33,872	26,941	60,813
	% 100	9.38	7.45	16.83
TOTAL	\$ 5,231,151	522,737	416,424	939,161
	% 100	9.99	7.96	17.95

Source: CALIFORNIA PUBLIC UTILITIES COMMISSION
Report to the Legislature on the Implementation of Minority, Women and Disabled Veterans Business Enterprise
Program for Public Utilities

As required by Public Utilities Code Section 8283, Chapter 1299, Statutes of 1986
and amended by Chapter 712, Statutes of 1989

Table III**California 1989 WMBE Procurement Results for Large Utilities**

	1	2	3	4
	Total Procurement	Minority Procurement (Male/Female)	White Female	Total MWBE (Columns 2&3)
	(\$000s)			
AT&T	\$ 169,921	22,319	10,605	32,925
	% 100	13.13	6.24	19.38
GTE	\$ 440,551	50,850	70,060	120,910
	% 100	11.54	15.90	27.45
PB&T	\$ 1,962,946	176,472	126,172	302,644
	% 100	8.99	6.43	15.42
PG&E	\$ 1,071,973	80,880	80,201	161,081
	% 100	7.55	7.48	15.03
SDG&E	\$ 156,122	14,873	12,837	27,710
	% 100	9.53	8.22	17.75
SCE	\$ 814,684	80,458	48,173	128,630
	% 100	9.87	5.91	15.78
SoCal Gas	\$ 342,717	26,997	22,324	49,321
	% 100	7.88	6.51	14.39
TOTAL	\$ 4,958,914	452,849	370,372	823,221
	% 100	9.13	7.47	16.60

Source: CALIFORNIA PUBLIC UTILITIES COMMISSION
Report to the Legislature on the Implementation of Minority, Women and Disabled Veterans Business Enterprise
Program for Public Utilities

As required by Public Utilities Code Section 8283, Chapter 1299, Statutes of 1986
and amended by Chapter 712, Statutes of 1989

Appendix I

Table IV

California 1988 WMBE Procurement Results for Large Utilities

		1	2	3	4
		Total Procurement	Minority Procurement (Male/Female)	White Female	Total MWBE (Columns 2&3)
		(\$000s)			
AT&T	\$	151,151	7,930	10,061	17,991
	%	100	5.25	6.65	11.90
GTE	\$	432,751	44,540	38,688	83,228
	%	100	10.29	8.94	19.23
PBell	\$	1,771,953	106,245	92,803	199,048
	%	100	5.18	4.75	11.23
PG&E*	\$	1,252,469	69,642	68,590	152,607
	%	100	5.56	5.48	12.18
SDG&E	\$	124,608	7,860	5,759	13,619
	%	100	6.31	4.62	10.93
SCE	\$	828,909	54,558	37,176	91,734
	%	100	6.58	4.48	11.07
SoCal Gas	\$	351,253	20,701	18,842	39,543
	%	100	5.89	5.37	11.26
TOTAL	\$	4,912,955	311,476	271,919	597,770
	%	100	6.34	5.53	12.17

* PG&E reported approximately \$14 million in subcontracting dollars going to MWBEs but did not report distribution by ethnicity. Therefore, Columns 2 and 3 do not equal Column 4.

Source: CALIFORNIA PUBLIC UTILITIES COMMISSION
Report to the Legislature on the Implementation of Minority, Women and Disabled Veterans Business Enterprise Program for Public Utilities

As required by Public Utilities Code Section 8283, Chapter 1259, Statutes of 1986 and amended by Chapter 712, Statutes of 1989

Table V
California Summary of Ethnic Procurement for 1990, 1989 and 1988
Large Utilities

		1	2	3	4	5	6	7
		AT&T	GTE	PB&L	PG&E	SDG&E	SCE	SOCAL GAS*
ASIAN								
1990	\$	8,911	7,571	26,266	18,750	3,316	20,610	4,964
	%	4.90	2.33	1.18	1.80	2.30	2.20	1.40
1989	\$	2,911	8,139	27,439	23,970	2,009	14,003	3,311
	%	1.71	1.85	1.40	2.24	1.29	1.72	0.97
1988	\$	711	8,021	19,688	15,526	693	10,270	2,464
	%	0.47	1.85	1.11	1.24	0.56	1.24	0.70
BLACK								
1990	\$	1,891	4,990	65,471	11,015	3,883	27,302	8,226
	%	1.00	1.54	2.93	1.10	2.64	2.91	2.30
1989	\$	1,502	12,476	53,853	13,033	3,823	17,636	10,149
	%	0.88	2.83	2.74	1.22	2.45	2.16	2.96
1988	\$	846	10,525	27,298	15,428	997	11,544	9,593
	%	0.56	2.43	1.54	1.23	0.80	1.39	2.73
FILIPINO								
1990	\$	57	106	9,143	2,560	**	853	**
	%	0.03	0.03	0.41	0.20		0.90	
1989	\$	131	9,135	2,136	**	**	**	**
	%	0.70	0.03	0.47				
1988	\$	140	87	2,248	1,762	**	**	**
	%	0.09	0.02	0.13	0.14			

* 12% of total procurement is classified as "other category." "Other category" represents various combinations of minorities and/or women, where no single entity has a 51% ownership interest, but where the aggregate ownership of the minority and/or women ranges from 51% to 100%.

** No reporting requirement; included with Asian

Source: CALIFORNIA PUBLIC UTILITIES COMMISSION
 Report to the Legislature on the Implementation of Minority, Women and Disabled Veterans Business Enterprise Program for Public Utilities

As required by Public Utilities Code Section 8283, Chapter 1259, Statutes of 1986 and amended by Chapter 712, Statutes of 1989

Appendix I

Table VI

California Summary of Ethnic Procurement for 1990, 1989 and 1988
Large Utilities

		1	2	3	4	5	6	7
		AT&T	GTE	PBELL	PG&E	SDG&E	SCE	SOCAL GAS
HISPANIC								
1990	\$	6,547	22,225	68,067	30,875	10,756	54,302	11,15
	%	3.50	6.85	3.05	2.90	7.30	5.80	9
								3.10
1989	\$	13,082	20,974	48,800	24,556	8,525	42,296	7,402
	%	7.70	4.76	2.49	2.29	5.46	5.19	2.16
1988	\$	4,329	21,858	38,520	30,944	6,014	30,316	4,814
	%	2.86	5.05	2.17	2.47	4.83	3.66	1.37
NATIVE AMERICAN								
1990	\$	558	9,205	14,350	3,160	321	3,496	3,089
	%	0.30	2.84	0.64	0.30	0.22	0.40	0.90
1989	\$	2,729	9,130	11,694	4,042	516	6,526	1,535
	%	1.61	2.07	0.60	0.38	0.33	0.80	0.45
1988	\$	372	3,242	3,110	5,432	155	2,428	2,121
	%	0.25	0.75	0.18	0.43	0.12	0.29	0.60

Source: CALIFORNIA PUBLIC UTILITIES COMMISSION
Report to the Legislature on the Implementation of Minority, Women and Disabled Veterans Business Enterprise
Program for Public Utilities

As required by Public Utilities Code Section 8283, Chapter 1299, Statutes of 1986
and amended by Chapter 712, Statutes of 1989

Table VII

**California Summary of Female Procurement for 1988, 1989 and 1990
Minority Female and White Female
Large Utilities
(\$000s)**

		1988		1989		1990	
		Minority Female	White Female	Minority Female	White Female	Minority Female	White Female
AT&T	\$	4,377	10,061	8,604	10,605	3,370	10,923
	%	2.89	6.65	5.06	6.24	1.80	5.90
GTE	\$	9,911	38,688	9,974	70,060	11,215	64,768
	%	2.29	8.94	2.26	15.90	3.46	19.95
FBell	\$	27,636	84,211	38,623	126,172	47,747	160,400
	%	1.56	4.75	1.97	6.43	2.14	7.19
PG&E	\$	9,723	68,590	13,820	80,201	14,024	79,116
	%	0.78	5.48	1.29	7.48	1.34	7.60
SDG&E	\$	946	5,759	1,650	12,837	2,537	13,423
	%	0.76	4.62	1.06	8.22	1.72	9.11
SCE	\$	14,062	37,176	27,202	48,173	30,475	60,853
	%	1.70	4.48	3.34	5.91	3.30	6.50
SoCal Gas	\$	1,941	18,842	1,408	22,324	3,738	26,941
	%	0.55	5.37	0.41	6.51	1.03	7.50

Source: CALIFORNIA PUBLIC UTILITIES COMMISSION
Report to the Legislature on the Implementation of Minority, Women and Disabled Veterans Business Enterprise
Program for Public Utilities

As required by Public Utilities Code Section 8283, Chapter 1239, Statutes of 1986
and amended by Chapter 712, Statutes of 1989

Appendix I

Table VIII**California Summary of Female Procurement for 1990, 1989 and 1988
Large Utilities**

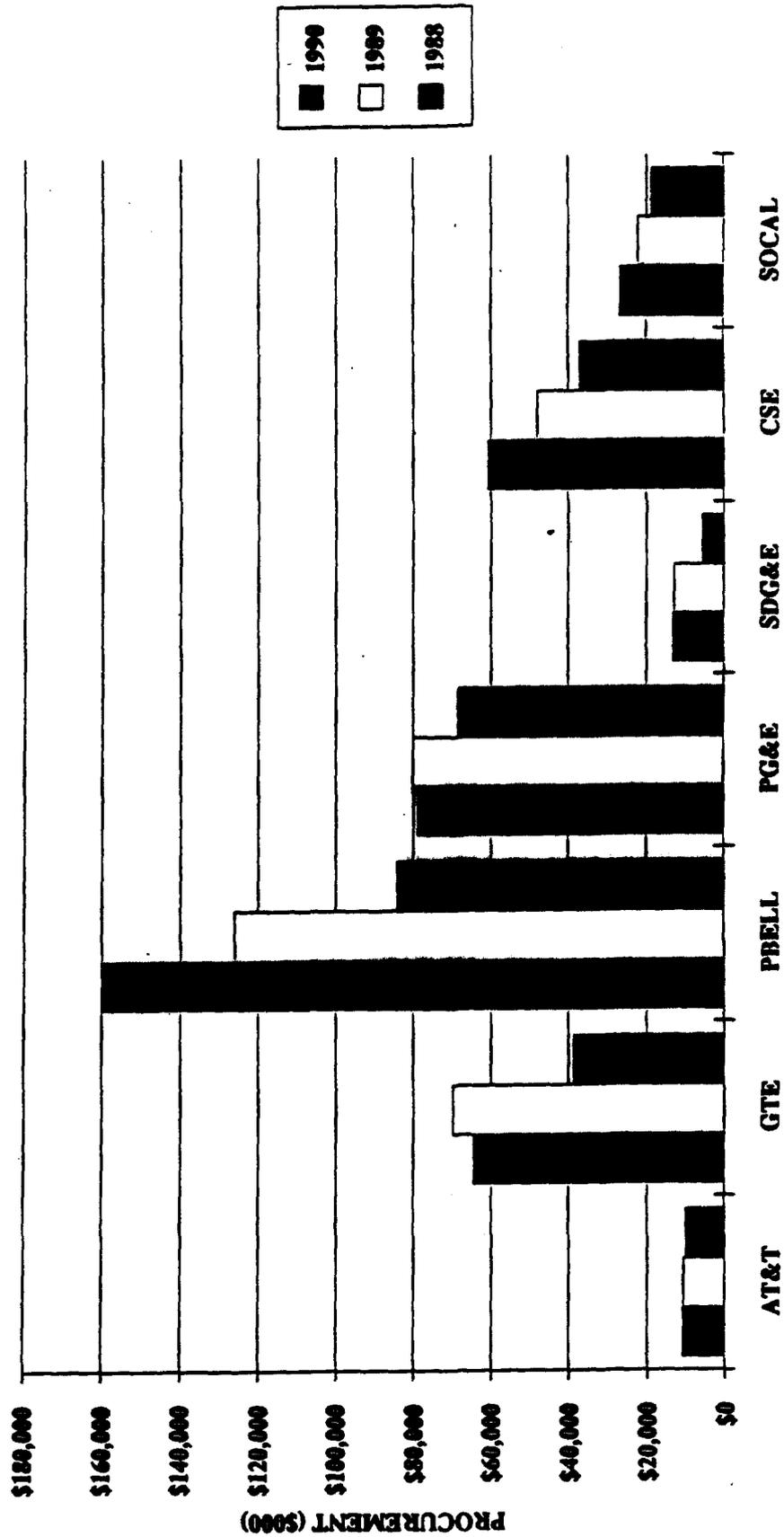
	1	2	3	4	5	6	7
	ASST	GTE	PS&L	PG&E	SD&E	SCE	SOCAL GAS
1990	\$ 14,294	75,983	208,147	93,140	15,960	91,328	30,679
	% 7.70	23.41	9.32	8.93	10.83	9.69	8.50
1989	\$ 19,210	80,034	164,795	94,021	14,488	75,375	23,732
	% 11.31	18.17	8.40	8.77	9.28	9.25	6.92
1988	\$ 14,438	48,512	120,439	78,313	6,705	51,238	20,783
	% 9.95	11.21	6.80	6.25	5.38	6.18	5.92

Source: CALIFORNIA PUBLIC UTILITIES COMMISSION
Report to the Legislature on the Implementation of Minority, Women and Disabled Veterans Business Enterprise
Program for Public Utilities

As required by Public Utilities Code Section 8283, Chapter 1259, Statutes of 1986
and amended by Chapter 712, Statutes of 1989

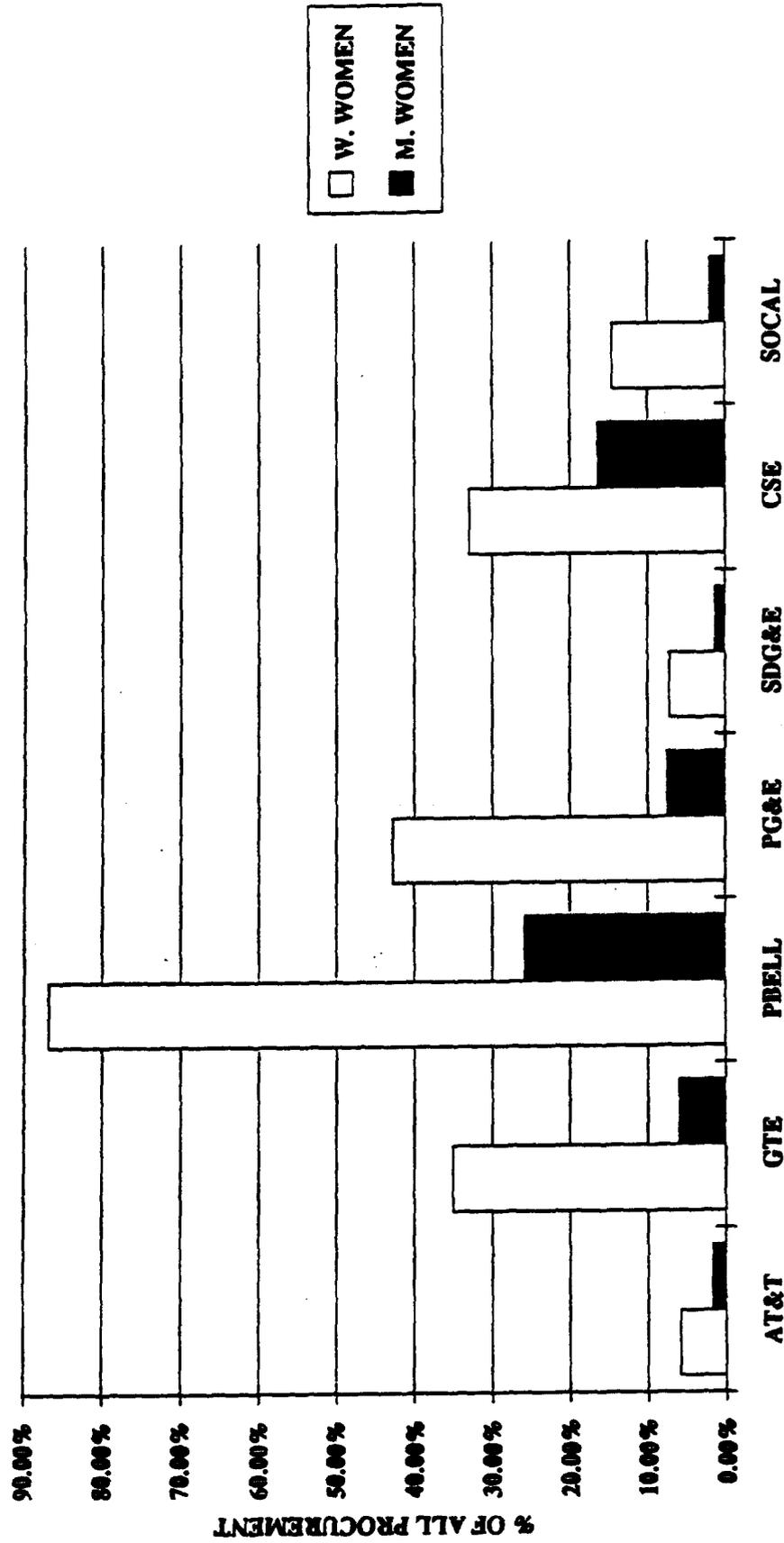
Appendix I

Table IX
White Women Procurement, Large Utilities 1988-90



Source: CALIFORNIA PUBLIC UTILITIES COMMISSION

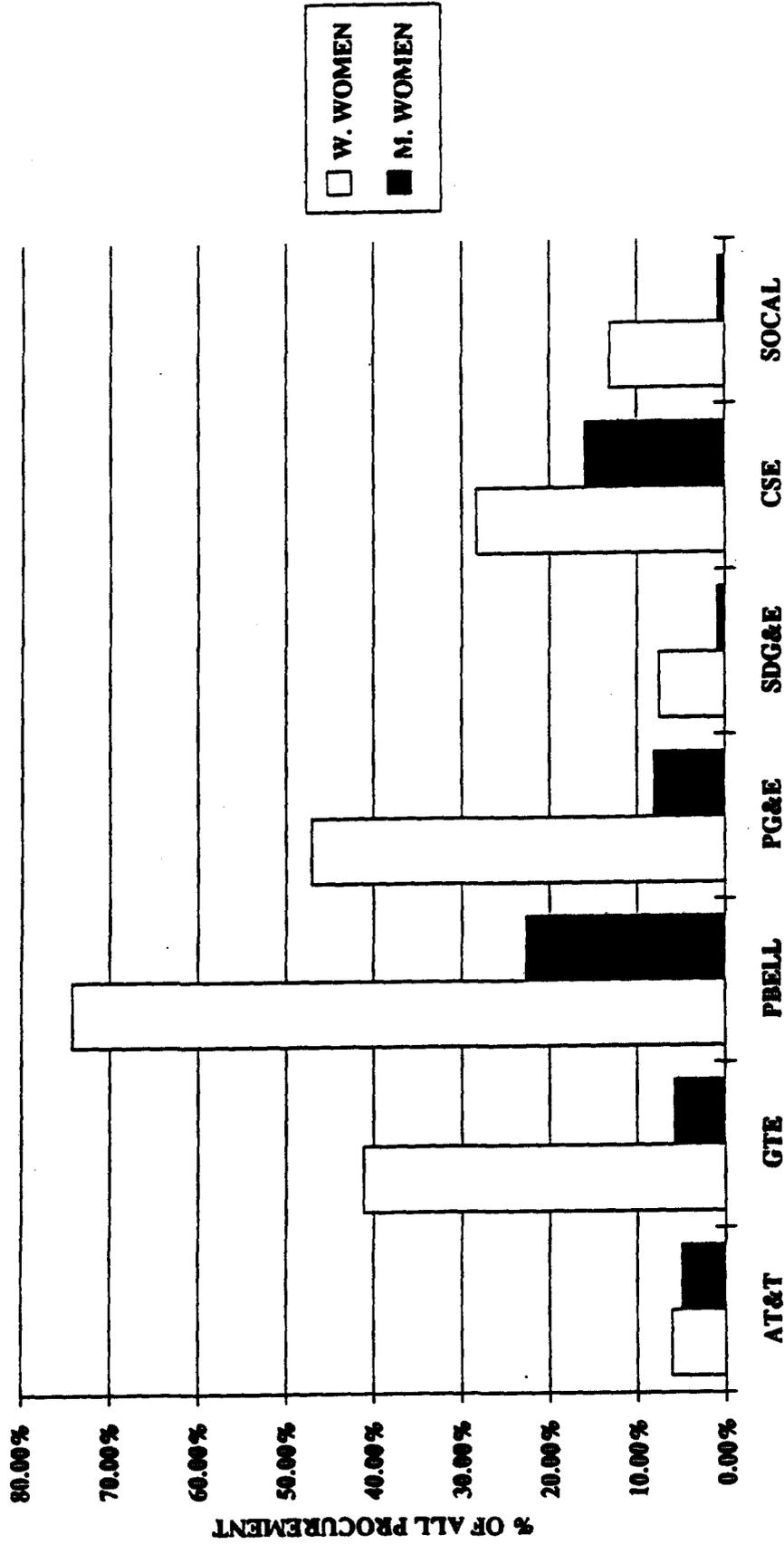
Table X
% White Women and Minority Women Procurement, Large Utilities 1990



Source: CALIFORNIA PUBLIC UTILITIES COMMISSION

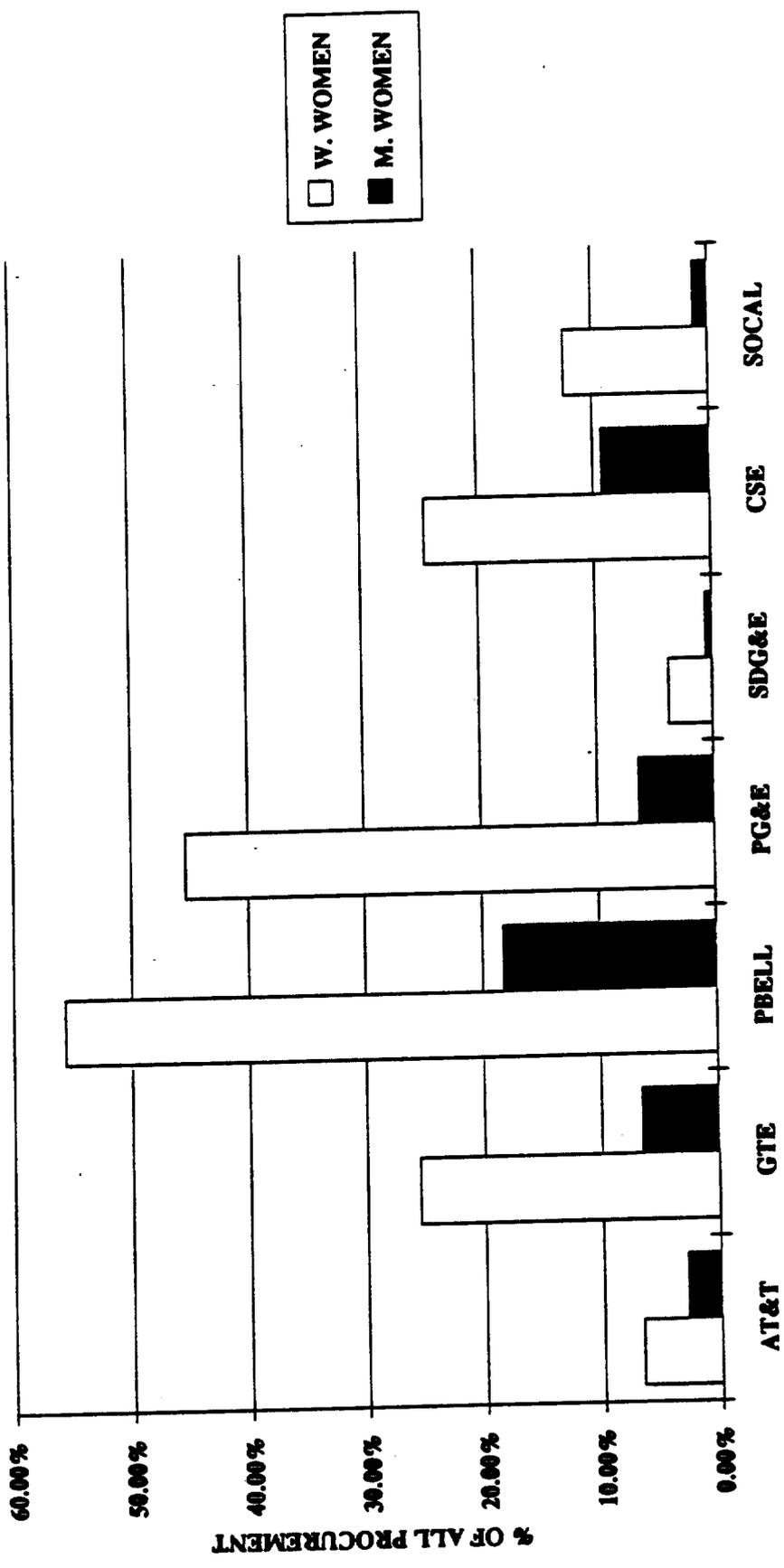
Appendix I

Table XI
% White Women and Minority Women Procurement, Large Utilities 1989



Source: CALIFORNIA PUBLIC UTILITIES COMMISSION

Table XII
% White Women and Minority Women Procurement, Large Utilities 1988



Source: CALIFORNIA PUBLIC UTILITIES COMMISSION

APPENDIX II

ADDITIONAL RESEARCH

Allison, John Robert. Thomas, Dennis L.

Telecommunications deregulation: market power and cost allocation issues. New York, Quorum Books, 1990. 279 p. (The IC2 management and management science series)

Atkinson, Robert M., II. Neely, George M. Drumming, Sandra.

Testing AT&T's dominance in the long-distance market. Public utilities fortnightly, v. 126, Aug. 30, 1990: 23-29.

Claims that in the current competitive environment, "the regulation of AT&T hinders innovation and creativity" and forces consumers to pay more for long distance services.

Bradsher, Keith.

Judge allows phone companies to provide information services. New York times, July 26, 1991: A1, A14.

Describes Judge Greene's order that lifted a legal bar which "had prevented the seven regional Bell telephone companies from offering services like home banking and electronic shopping."

Cole, Barry G.

After the breakup: assessing the new post-AT&T divestiture era. New York, Columbia University Press, c1991. 480 p.

Crew, Michael A.

Competition and the regulation of utilities. Boston, Kluwer Academic, c1991. 211 p. (Topics in regulatory economics and policy series; no. 7)

Result of two seminars entitled "Competition and the Regulation of Utilities," held at Rutgers University, Oct. 27, 1989 and May 4, 1990.

Partial contents.--Introduction to competition and the regulation of utilities, by Michael A. Crew.--Predatory pricing safeguards and telecommunications regulation, by Alexander C. Larson.--Telecommunications services as a strategic industry: implications for United States public policy, by Robert G. Harris.--Productivity growth and technological change in the United States telecommunications equipment manufacturing industries, by Show-Ling Jane and J.R. Norsworthy.

Dupagne, Michel.

French and U.S. videotex: prospects for the electronics directory service. Telecommunications policy, v. 14, Dec. 1990: 489-504.

Appendix II

Einhorn, Michael A.

Price caps and incentive regulation in telecommunications. Boston, Kluwer Academic Publishers, c1990. 244 p. (Topics in regulatory economics and policy series; 6)

Gilder, George.

Into the telecosm. Harvard business review, v. 69, Mar.-Apr. 1991: 150-161.

Describes the rapidly advancing technological innovations in the telecommunications industry as ready ultimately to "change what we mean by management, customers, products, ownership—even nationality." Warns that the industry must rally to a common political program that will unleash the new technology soon and prevent regulations that will stifle or bottleneck business.

Gilroy, Angeles A.

Divestiture: background, provisions and restructuring. U.S. Library of Congress, Apr. 11, 1984.

Gilroy, Angeles A.

Information services: what role for the Bell Operating Companies. U.S. Library of Congress, July, 1990.

Hack, David B. Downs, Stephen J.

Should the "baby Bells" be allowed to manufacture? U.S. Library of Congress, Dec. 1991.

Harris, Robert G.

Divestiture and regulatory policies: implications for research, development and innovation in the U.S. telecommunications industry. Telecommunications policy, v. 14, Apr. 1990: 105-124.

"A brief review of changes in the organization of R&D in the former Bell system is followed by a consideration of the effects of market structures on R&D incentives and organization." Concludes that existing "policies may undermine incentives for R&D by the Bell operating companies while providing considerable incentives for them to turn to foreign manufacturers for new technology."

Palmer, Karen L.

A test for cross-subsidies in local telephone rates: do business customers subsidize residential customers? Washington, Resources for the Future, 1990. 41, 8 p. (Discussion paper QE90-24)

"Recent regulatory and technological changes in telecommunications suggest that the local telecommunications market soon may present opportunities for profitable entry.... The results indicate that business service revenues subsidize residential service provision at nearly 65 percent of the suburban central offices. The sufficient conditions for a residential-to-business cross-subsidy fail for all central offices in the sample."

U.S. Congress. House. Committee on Energy and Commerce. Subcommittee on Telecommunications and Finance.

FCC telephone price caps (part 2). Hearing, 101st Congress, 2nd session. Part 2. Aug. 2, 1990. Washington, G.P.O., 1991. 68 p.

"Serial no. 101-195"

U.S. Congress. House. Committee on Energy and Commerce. Subcommittee on Telecommunications and Finance.

Review of national telecommunications policy; a staff report prepared for the use of the Subcommittee on Telecommunication and Finance of the Committee on Energy and Commerce, U.S. House of Representatives. Washington, G.P.O., 1990. 983 P.

At head of title: 101st Congress, 2nd session. Committee print 101-O.

"This report contains a compilation of the views and comments of representatives of various government, industry and consumer groups outlining their position on national telecommunications policy. These comments were filed with the Subcommittee on Telecommunications and Finance in conjunction with a series of hearings examining various segments of the telecommunications industry since the court ordered divestiture of AT&T."

U.S. Congress. Senate. Committee on Commerce, Science, and Transportation.

Communications Competitiveness and Infrastructure Modernization Act of 1990; report together with additional views on S. 2800. Washington, G.P.O., 1990. 30 p. (Report, Senate, 101st Congress, 2nd session, no. 101-456)

A bill that "permits a telephone company to offer transmission capacity for video programming and permits users of telephone network capacity to offer video programming services."

Legislation

H.R. 452 (Bryant)

Telecommunications Equipment Manufacturing Stimulation Act of 1991. Requires that any telecommunications equipment or customer premises equipment manufactured by any of the Regional Bell Operating Companies must be manufactured in the United States. Introduced Jan. 3, 1991; referred to Committee on Energy and Commerce (Subcommittee on Telecommunications and Finance) and Committee on the Judiciary.

H.R. 1523 (Orley)

Telecommunications Equipment Research and Manufacturing Competition Act of 1991. Lifts the MFJ restriction on equipment manufacturing by the Regional Bell Operating Companies, subject to regulatory safeguards against anticompetitive behavior. Introduced Mar. 20, 1991; referred to Committee on Energy and Commerce (Subcommittee on Telecommunications and Finance) and Committee on the Judiciary (Subcommittee on Economic and Commercial Law). Hearings held July 11, Oct. 23-24, 1991, by Subcommittee on Telecommunications and Finance.

Appendix II**S. 173 (Hollings)**

Telecommunications Equipment Research and Manufacturing Competition Act of 1991. Lifts the MFJ restriction on equipment manufacturing by the Regional Bell Operating Companies, subject to regulatory safeguards against anticompetitive behavior. Contains "domestic content" provisions which prohibit overseas manufacturing and place limits on the use of foreign-made components. Introduced Jan. 14, 1991; referred to Committee on Commerce, Subcommittee on Communications. Hearings held Feb. 28. Reported jointly to House Committee on Energy and Commerce, and House Committee on the Judiciary, Subcommittee on Telecommunications and Finance. Hearings held, July 11, 1991, by Subcommittee on Telecommunications and Finance.

U.S. Congress. Senate. Committee on Commerce, Science, and Transportation. Telecommunications Equipment Research and Manufacturing Competition Act of 1991. Report, 102nd Congress, 1st session. Apr. 19, 1991. Washington, U.S. Govt. Print. Off., 1991. 83 p.

U.S. Congress. Senate. Committee on Commerce, Science, and Transportation. Telecommunications Equipment Research and Manufacturing Competition Act of 1991. Hearings, 101st Congress, 2nd session. Apr. 25 and May 9, 1990. Washington, U.S. Govt. Print. Off., 1990. 362 p.

U.S. Congress. House. Committee on Energy and Commerce, Subcommittee on Telecommunications and Finance. Modified Final Judgment. Hearings, 101st Congress, 1st session. May 4, 1989. Washington, U.S. Govt. Print. Off., 1989. 155 p.

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MBELDEF

Minority Business Enterprise Legal Defense and Education Fund, Inc.

*Parren J. Mitchell
Founder and Chairman*

*Anthony W. Robinson
President*

INTRODUCTION

The minority **Business Legal Defense and Education Fund (MBELDEF)** is a non-profit organization that acts as a national advocate and legal representative for the minority business community on important issues that affect the class interests of minority business.

This report entitled "**Discriminatory Contracting Practices in the Telecommunications Industry**" is submitted to this distinguished body on behalf of the class interests of minority-owned businesses as well as minority rate payers throughout the United States.

AT ISSUE

The divestiture of AT&T and the Bell operating companies in 1984, set in motion one of the world's most important industry transformations.

Many debates, studies and legal challenges have followed Judge Greene's original divestiture settlement, including such issues as:

- The impact of regulations on AT&T in the long-distance business;
- The impact of allowing the Bell operating companies to enter the cable television business;
- The impact of allowing the Bell operating companies to enter the information services business; and
- The impact of allowing the Bell operating companies to enter manufacturing.

It should be noted that since 1984, nothing has been written or initiated to assess the impact of the divestiture on the ability of socially and economically disadvantaged businesses to gain access and compete in the telecommunications industry as compared to others in the same industry who are not socially or economically disadvantaged.

INTRODUCTION (Continued)

Our investigation into the contracting and procurement practices of the telecommunications industry resulted from numerous complaints filed with our organization by small disadvantaged businesses engaged in the industry from across the United States.

This report contains our findings and conclusions reached in a fact finding study entitled "Discriminatory Contracting Practices in the Telecommunications Industry".

Our task was to determine whether the industry's contracting and procurement practices effectively discriminate against small disadvantaged businesses.

The evidence gathered was through three primary methods:

- (1) Industry divestiture historical and legal research, MWBE statutes and laws, industry, trade and other periodicals, industry forecasts and economic trend reports, public service commission reports, and official congressional reports;
- (2) An industry opinion survey (MBELDEF Confidential Mail Questionnaire) of (581) minority-owned firms engaged in the telecommunications industry; and
- (3) Through confidential in-depth interviews of minority business owners, national minority business organizations, and other professionals with experience in or knowledge of the industry's practices.

Based on the results of our study we believe there is compelling evidence that telecommunications companies continue to use their dominate market position to limit the competitive access and development of minority-owned companies in subcontracting, procurement of products and equipment, technology transfer, technical training, and meaningful development assistance.

Our examination of the industry revealed discriminatory contracting practices, specifically, but not limited to:

- (1) using minority companies as "fronts" solely for the purpose of generating volume sales in order to meet MWBE participation goals;
- (2) controlling the profit margins that minority companies are allowed under these "fronting" arrangements;
- (3) selling products and services to minority companies at different prices than other purchasers for the same products;