UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

UNITED STATES OF AMERICA, Plaintiff, v. WESTERN ELECTRIC COMPANY, INC. and AMERICAN TELEPHONE AND TELEGRAPH COMPANY, Defendants.	)	Civil Action No. 82-0192 HHG

TO: THE DEPARTMENT OF JUSTICE

AT&T'S OPPOSITION TO RBOCs' MOTION TO "EXEMPT" WIRELESS SERVICES FROM SECTION II OF THE DECREE

American Telephone and Telegraph Company ("AT&T") hereby responds to -- and opposes -- the motion of the seven Regional Companies ("RBOCs") to "remove" mobile and other wireless services from Section II of the Decree.

INTRODUCTION AND SUMMARY

In their voluminous filing,[1] the RBOCs are asking the Department to support a sweeping -- and indeterminate -- modification of the provisions that constitute the very core of the Decree. First, the RBOCs propose a modification of Section II(D)(1)'s interexchange services injunction. It would allow the RBOCs to provide, without geographic limitations, any

[1] The RBOCs' motion is accompanied by a 55-page memorandum ("RBOC Memorandum" or "RBOC Mem.") and by a 187-page, single-spaced document entitled "Report of the Bell Companies on Competition in Wireless Telecommunications Services, 1991" ("RBOC Wireless Report"). These filings will be referred to collectively as the "RBOCs' Motion."

inconsistently) argue that the interexchange restrictions mean that their cellular competitors' customers pay more than they otherwise would for long distance services. The RBOCs contend that "because the BOCs can neither avoid using their customers' PICs to carry the long-distance leg of their cellular calls nor affect the PICs' retail prices, any cellular provider that competes against a BOC in a particular market faces no competitive pressure to pass on all or even most of the [difference between the wholesale and retail rates of its interexchange service provider]." RBOC Mem., p. 45.

This, too, is false. AT&T has no basis for doubting the RBOCs' assertions that nonwireline carriers can -- due to customer inertia, the relatively small amount of interexchange calling, and other market failures -- "charge a premium for long-distance calls" and make it a separate profit center. RBOC Mem., p. 46. But those premium long distance prices assuredly would, at some levels, cause a loss of customers to the RBOCs, and the fact that RBOCs' cellular customers receive a <u>competitive</u> price for long distance service will constrain the long distance pricing practices of their nonwireline competitors.

The unavoidable reality is that allowing the RBOCs to provide interexchange services would increase the price, and reduce the output, of interexchange services for <u>all</u> wireless customers. It would increase the prices paid by customers of the RBOCs, for the RBOCs are seeking the right to overcharge their cellular customers for long distance service in the same way that their nonwireline competitors allegedly do. Further, because <u>no</u>

cellular customers in the market could then receive a competitive price for interexchange service, the existing constraint on the prices of nonwireline carriers (and thus on the RBOCs) would be removed. The RBOCs, and their non-RBOC competitors, would then be free to engage in the same "shared monopoly pricing" of interexchange cellular services as is now alleged to characterize the pricing of cellular "air time." See pp. 37-39, supra. Further, as noted above, the RBOCs' proposal would, by its terms, allow them to monopolize the provision of all interexchange services to and from all "wireless" customers.

B. There Are Not Separate "Wireless" And "Wireline" Exchange Markets, And The RBOCs' Motion Would Authorize A Vast -- And Ever-Expanding -- Array Of Interexchange Services, Including Direct Substitutes For Today's "Landline" Interexchange Services.

Under any view of the Decree, the proposed modification is barred by the likelihood that -- as explained above -- it would likely raise the price, and reduce the output, of the interexchange services that would be authorized. That would be so even if these consisted of only the "tiny slice" of interexchange services said to be used in connection with today's high priced cellular exchange services. RBOC Mem., p. 28. However, the District Court's 1987 holding rested on the alternative and "broader" ground that the proposed mobile modification would do more than that. The Court found that the proposal would allow the RBOCs to "evade the basic interexchange services restriction" by offering substitutes for basic

"landline" services. Opinion, 673 F. Supp. at 551.[66]

The RBOCs now challenge this holding, by making two related arguments.

First, the RBOCs offer a definition of "mobile" and "wireless" services that would, the RBOCs claim, preclude any possibility that their proposed order would allow them to provide basic "landline" interexchange service "through a combination of cellular and standard interexchange facilities." RBOC Mem., p. 25, citing Opinion, 673 F. Supp. at 551. In particular, they define interexchange "mobile" or "wireless" services as any service that originates or terminates in a "wireless device" -- i.e., CPE that is not physically tethered to the landline network -- or in an "associated storage device." However, this same definition was inherent in the Department's now-abandoned 1987 proposal, for the RBOCs' current definition represents the only possible definition of "mobile" or "wireless" services -- and the definition that the industry uses.

The RBOCs' second argument is thus the critical one. They claim that there is an "unambiguous[]" "market division" between "mobile" and "stationary" services. RBOC Wireless Report, pp. 184-86; RBOC Mem., pp. 25-29. They assert that "radio" transmission is so costly that the use of radio waves in any "part of the [local] loop, no matter how short" means that

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[66] The Court suggested, in a footnote, that this threat was accentuated by the fact that there were indications that cellular radio and other wireless services "may become competitive with landline services in the future" without affecting the RBOCs' bottleneck control over the provision of interexchange services to these customers. 673 F. Supp. at 551 n.111.

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of Pacific Telesis Group ("Telesis") and SBC Communications Inc. ("SBC") for SBC to Control Pacific Bell (U 1001 C), Which Will Occur Indirectly as a Result of Telesis' Merger With a Wholly Owned Subsidiary of SBC, SBC Communications (NV) Inc.	)	Application No. 96-04-038

JOINT BRIEF OF APPLICANTS
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B. The Few Protestants to the Application Raise Positions and Seek Conditions that Are Neither Supported by Law Nor Warranted By the Evidence

Against this broad showing of support, only ORA, TURN and UCAN, and the three objecting competitors, AT&T, MCI and ADP, oppose this merger or propose that it be heavily taxed and conditioned. While ORA has claimed that it either "supports" — or at least, "does not object" — to the merger (ORA Wit. Lew Tr. 2491-2492), the merger would die if the Commission were to accept ORA's proposals that as much as $2.1 billion or more in price reductions be mandated and some forty-seven "mitigation measures" be imposed as conditions of Commission approval of the change of control.

As Applicants demonstrate in the next section of this Summary, and more fully in the Argument below, mandatory price reductions are neither required under the circumstances of this Application nor warranted by the evidence, and should be summarily rejected. Even if the record were otherwise, it could not justify customer payments in the form of price reductions anywhere near even the bottom range of the protestants' proposals. In any event, the record establishes that competitive forces are adequate to ensure that benefits from the merger flow through to consumers, and that they are preferable to regulatory fiat. The record likewise belies any need for "mitigation measures" of the nature and breadth that ORA and the other protestants seek to impose.

AT&T and MCI seized on the Application proceeding as an opportunity to register their putative concerns about the merger, which they sought to cloak in economic "theories" that appear to be known only to the witness they sponsored. The testimony offered by AT&T's and MCI's witness was largely unaided by any facts concerning the relevant markets or the actual or potential competitors. In contrast with their witness's testimony, AT&T's and MCI's own internal documents disclosed that: (1) the merged company will be a more effective competitor in key markets; (2) Telesis' entry into the long-distance market will result in lower consumer prices; (3) there will be substantial and growing competition in the local exchange market over the next five years, with AT&T and MCI capturing a significant share; (4) AT&T and MCI will

achieve a significant competitive advantage by delaying the merger and Telesis' entry into long distance; and (5) AT&T and MCI have adopted and implemented strategies to prevent or delay competition through intervention in regulatory proceedings.

C. The Payments that ORA, TURN and UCAN Seek Are Neither Required Nor Permitted

ORA and TURN contend that Section 854(b)(2) applies and that it requires a quantification of economic benefits that does not include the benefits described above (which they characterize as "soft"). They also contend that any such additional benefits will presumptively advantage Pacific Bell's shareholders to the exclusion of its ratepayers, regardless of the source of those benefits or the uncertainty that they will be achieved. On the basis of that unsupported contention, they claim that the Commission should mandate that fifty percent be paid to ratepayers as a condition of merger approval.

The benefits that ORA calls "soft" were estimated by Applicants' witness, Dr. John Taylor, who serves on the Governor's Counsel of Economic Advisors, to total in excess of $100 million. These benefits to California would be placed in jeopardy if the protestants' position favoring small billing credits for consumers and substantial payments to other telecommunications "ratepayers," such as AT&T and MCI, were accepted. Moreover, protestants advance these arguments notwithstanding Dr. Taylor's prediction that "denial of the beneficial effects [of the merger] would send a very negative message about the regulatory climate in California and give other firms serious second thoughts about investing in California." App. Wit. Taylor Exh. 151A, page 13.

1. Section 854(b)(2) Does Not and Should Not Apply

There is no basis for protestants' assumption that Section 854(b)(2) even applies to this transaction. As explained in detail in the Argument below (Section IV, *infra* page 82), their position is not supported by the plain reading of the statute, the history of the Legislature's 1995 amendments (which the Commission sought in order to obtain the flexibility to allocate merger

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** [365]

Thus, when AT&T's and MCI's projected market shares for California local exchange business are combined (approximately || || percent), and all other alternative local exchange providers are considered, there can be no doubt that significant and growing competition will force Pacific Bell to continue to lower prices and improve service over the next five years.

(2) The Documents Reveal that AT&T and MCI Are Opposing this Merger to Delay a More Effective Competitor and Handicap Pacific Bell in the Race to Offer Bundled Services

The reason AT&T and MCI would like to paint a different picture of future competition here than the portrait so consistently revealed through their own documents is transparent. Not only have those companies long been concerned that RBOC entry into their core interexchange business will reduce prices to consumers and reduce their profits, but they now realize that the merged SBC/Telesis will be an even more effective long-distance competitor than previously feared. Further, AT&T and MCI believe that there is a significant "first mover advantage" for firms that are first to offer bundled local exchange and long-distance service. Accordingly, AT&T and MCI have a strong incentive to utilize regulatory obstacles, including a delay of the merger or Commission-imposed handicaps on SBC/Telesis' ability to compete, and they have not resisted the impulse to overreach in their arguments here.

AT&T's and MCI's documents predict that the most effective competitors will be firms that can offer a "bundle" of telecommunications services, including local exchange and long-

[365] *Id. at* ATT 0011984.

distance services.[366] In this competition to offer bundled service, AT&T and MCI project that they will be very successful in California.[367] AT&T's California Market Entry Plan states that long-distance-bundled revenues in Los Angeles alone will increase from ** ** million in 1997 to ** ** million in 2001.[368] AT&T's strategy and expectation are clear: " **

** "[369] **

** [370]

MCI's "Beat the Bells" analysis projects that it will capture » « of the market for bundled services and concludes: " »

« "[371] Indeed, AT&T's and MCI's documents show that these firms have a

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[366] As stated in AT&T's California Market Entry Plan, " **

** " *Id.* at ATT 0011511. An additional reason AT&T plans to offer bundled service is to offset the anticipated erosion in its long-distance share "from ** ** " *Id.* AT&T predicts that it will be able to retain anywhere from ** ** more of its long-distance business by providing a bundled local exchange/long-distance offering. Exh. C181, page ATT 0032651. AT&T is moving full speed ahead to offer "basic telephone bundles" to California consumers, which include intraLATA toll, long-distance and international, local exchange and wireless services.App. Wit. Gilbert Exh. C31, vol. 3, tab 22, page ATT 0011517. *See also id.* at page ATT 0011509 (" **

**").

[367] AT&T's "Target Market Preference California Baseline" anticipates that " **

** " Exh. C180, page ATT 0044717.

[368] App. Wit. Gilbert Exh. C31, vol. 3, tab 22, page ATT 0011931.

[369] Exh. C187, pages ATT 0035840-41.

[370] App. Wit. Gilbert, Exh. C31, tab 4, page ATT0005053.

[371] Exh. C185, page 9115.

strong competitive advantage when it comes to offering bundled services — brand name recognition. AT&T's 1995 Annual Report proclaims that its brand name is one of its greatest assets.[372] One MCI consumer study determined that " »

« "[373] Accordingly, " »

« "[374]

At the same time, AT&T's and MCI's internal analyses predict that BOC entry into their core interexchange business will result in decreased consumer prices and decreased IXC profits. AT&T's California Market Entry Plan predicts that its "prices gradually decline starting in 1997 due to intensifying competition," and that Pacific Bell will price its long-distance service "10% below AT&T."[375] For example, in assessing the impact of Pacific Bell's entry into the long-distance market, AT&T concluded that " **

** " and that Pacific Bell " ** ** " AT&T for lower-end business customers and " ** ** " AT&T' for higher-end business customers.[376]

Similarly, an internal MCI analysis predicts that long-distance prices will " »

« " and that "

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[372] Exh. 199, page 9. Similarly, »

« Exh. C184, page 009072.

[373] *Id.* at 009047.

[374] *Id.* at 009072.

[375] Exh. C190, page ATT 0031794. *See also* App. Wit. Gilbert Exh. C31, vol. 3, tab 22, page ATT 0011980 (noting that, in AT&T's financial models, long-distance prices are " ** ** ").

[376] App. Wit. Gilbert Exh. C31, vol. 3, tab 22, pages ATT 0011534 and 0011983.

»

« "[377]

To compound that threat, AT&T's Preliminary Assessment of the SBC/Telesis merger acknowledges that the merged firm will be a more effective competitor in long distance, as well as in international and wireless services;

- "The SBC/PacTel Merger Appears To Benefit Both Of The RBOCs While Creating *A More Formidable Competitor In AT&T's Most Lucrative LD Market*"[378]
- "SBC Will Gain Access To California The Leading LD/International/Mobile Market Creating *A More Powerful Overall Competitor*"[379]
- "SBC Will Benefit From PacTel's Established Relationship With The Consumers In California, *Creating Increased Vulnerability For AT&T*"[380]
- "SBC Resources Could Help Build Out California PCS More Quickly"[381]
- "The Combination Creates A Strong International Play"[382]

Moreover, AT&T and MCI recognize that there is a significant "first mover advantage" in the changing competitive environment. AT&T's California Market Entry Plan identifies " ** ** " as a " ** ** " for executing the company's strategic business plans.[383] MCI's "strategy" with respect to Telesis is to focus on " »

« "[384]

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[377] Exh. C192, page 5422.

[378] Exh. C188, page ATT 0009335 (emphasis added).

[379] *Id.* at ATT 0009335 (emphasis added).

[380] *Ibid.*

[381] *Id.* at ATT 0009337.

[382] *Id.* at ATT 0009337.

[383] App. Wit. Gilbert Exh. C31, vol. 1, tab 8, page ATT 0003888.

[384] Exh. C184, page 009059.

AT&T recognizes that it has a major "first-mover" bundling advantage over Pacific Bell as long as Pacific can not offer interLATA long distance and AT&T intends to " ** ** " and emphasize in its marketing that " ** ** "[385] In addition, AT&T's competitive assessment of Pacific Bell states that one of Pacific Bell's major weaknesses is that it is " ** ** "[386] Accordingly, AT&T's strategy is to secure as many customers as possible for bundled services *before* Pacific Bell is permitted to provide long distance: "AT&T needs strong product and promotional/positioning action *now* in California, before GTE enters the LD market in 1996. Pac Bell enters in-region LD market in 1997."[387]

The importance of the "first-mover" bundling advantage is also illustrated by the fact that AT&T acknowledges in its internal documents that, in the California market: "** ** "[388] Similarly, an AT&T Pacific Region analysis identifies the company's California objective as "[m]igrating high value customers to bundled solutions, reduce churn velocity and *gain first move* advantage."[389]

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[385] App. Wit. Gilbert Exh. C31, vol. 3, tab 22, page ATT 0011580.

[386] *Id.* at ATT 0011603. *See also* Exh. C207, page ATT0044442 ("AT&T PacBell will likely market the strongest offers, AT&T can beat PacBell in 1996 by offering both local and LD.")

[387] Exh. C208, ATT 0036969 (emphasis added). *See also* Exh. C194, pages ATT 0018577-78 (AT&T views GTE as a significant threat in the first half of 1996 because it will be able to bundle services first. MCI and Sprint follow as threats because they will be able to bundle by mid-year 1996. Pacific Bell is not expected to bundle until later in 1997 at the earliest, at which time AT&T sees it as a serious threat across the state to provide integrated bundles.)

[388] Exh. C180, page ATT003025.

[389] Exh. C208, page ATT 0036977 (emphasis added). *See also* Exh. C189, page ATT 0032709;' Exh. C210, page ATT 0010131 (noting as an "AT&T Opportunity," "Build Bundled Offers Quickly In California To Secure Important Ethnic Markets (** **)").

Further, MCI recognized the "first-mover" advantage when it stated that: "California is an important state for MCI as it is home to our most » « domestic, international and intralata customers. Our continued success will be dependent on our ability to achieving a first to market advantage, thus » « in our existing customers."[390]

In short, it is not essential to AT&T or MCI whether they compete in the local exchange market as resellers or facilities-based providers; but their critical objective is to be the first company able to offer consumers a complete bundle of services. AT&T's California Competitive Assessment states that AT&T " ** ** " services to " ** ** " with bundled services.[391] In contrast, according to AT&T's final business plan, " ** ** "[392]

These changing marketplace dynamics demonstrate that it is in AT&T's and MCI's economic self-interest to slow down this merger because the combined company will be a more effective competitor, and to delay Pacific Bell's entry into the long-distance business in California in any way possible. ***AT&T's own documents show that they are willing to "[p]ush for regulatory conditions to stifle PacBell's entry into long distance."***[393] MCI's documents also reveal their concern that "[r]egulators are the only thing standing in the BOC's way" of entering the lucrative long-distance business,[394] and state their goal as obtaining a "[g]reater

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[390] Exh. C182, page 5274.

[391] App. Wit. Gilbert Exh. C31, vol. 3, tab 22, page ATT 0011517. *See also id.* at page ATT 0011523 (" ** ** ").

[392] Exh. C207, page ATT 004440.

[393] App. Wit. Gilbert Exh. C31, vol. 2, tab 15, page ATT 0029943.

[394] Exh. C192, page 5418.

understanding of RBOC entry into long-distance markets and how MCI can successfully 'thwart that attempt.'"[395] ***MCI's strategy for dealing with Pacific Bell's potential long-distance entry is summarized as follows: " »***

« "[396] Thus, AT&T and MCI either seek to delay SBC/Telesis' entry into long distance, or make sure that the merged firm is hampered with onerous "conditions" that give the interexchange carriers further competitive advantages.

(3) AT&T's and MCI's Documents Demonstrate That There Will Be Sufficient Competition to Flow-Through the Merger Benefits to California Consumers

Dr. Selwyn would like to dismiss the compelling evidence of future competition portrayed in AT&T's and MCI's documents as insignificant musings of individual employees or as unsupported prognostications: "this stuff is just paper"[397] and "all of this stuff is worthless."[398] This documentary evidence, however, is the ordinary course-of-business analysis on which companies base investment decisions; many of which represent the final business plans of AT&T and were provided to AT&T's most senior officers, including the AT&T "cabinet."[399] They simply cannot be ignored in favor of Dr. Selwyn's unsupported speculation.

Even apart from all other evidence Applicants have provided in this proceeding, AT&T's and MCI's own documents clearly demonstrate that there will be robust and growing competition

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[395] Exh. C184, page 009032.

[396] Exh. C184, page 9059.

[397] ORA Wit. Selwyn Tr. at 3079:25-3080:15. *See also* AT&T/MCI Wit. Brenner Tr. 3352:3-22.

[398] ORA Wit. Selwyn Tr. at 3075.

[399] *See, e.g.*, Exh. C207, page ATT 044420.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)
	)
The Merger of MCI Communications	)
Corporation and	)
British Telecommunications plc	)
	)

APPLICATIONS AND NOTIFICATION

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and wireless markets.

The merger of MCI and BT also will produce substantial cost savings through economies of scale. In addition to the technical and product planning functions described above, the companies plan to combine administrative functions, including such matters as purchasing. Based on a joint preliminary study, the two companies expect that there will be a pre-tax synergy benefit arising from a full integration of the two businesses amounting to approximately $2.5 billion over five years following the closing of the merger. These savings are expected to arise primarily through economies of purchasing and procurement and through the combination of the companies' operations, with no significant decrease in US employment. Indeed, because of MCI's entry into local telephone markets, employment of American workers is expected to increase. These efficiencies will benefit shareholders and consumers by further enhancing MCI's financial standing and making it an even stronger competitor, especially as it expands its local service offerings.

In sum, the merger of BT and MCI is likely to generate substantial benefits for consumers of local telecommunications services in the US. The combination of financial resources and management and technological expertise that will comprise Concert will make MCI better able to invest the capital required to enter local markets, to deploy new technologies rapidly, and to produce the advanced local services that residential and business consumers demand. As a consequence of the merger, American consumers are likely to benefit from a wider combination of innovative local telecommunications service options at lower prices.

AT&T Challenges the Bell Companies: Allen Outlines Plans to Take Big Part of Local Market Over Next Several Years

By John J. Keller, Staff Reporter of The Wall Street Journal

06/12/96

The Wall Street Journal

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AT&T Corp.'s Chairman Robert E. Allen, in a bare-knuckled challenge to the Bell companies, said AT&T plans "to take at least a third" of the $90 billion local phone market within several years.

Mr. Allen's optimistic prediction comes as AT&T is consumed by restructuring, layoffs and a flagging stock price.

Clearly, Mr. Allen expects the company to emerge from its previously announced three-way breakup determined to beat rivals on all fronts -- long-distance, local-phone, Internet and even home-entertainment services.

"We've had a rich diet of growth and change for better than 10 years. And we're ready to compete with anybody," Mr. Allen told analysts yesterday morning at an investment conference sponsored by Sanford C. Bernstein & Co. "Especially with our friends at the Bell companies."

AT&T, which intends to offer local phone services in all 50 states, still must strike agreements with the seven Bells to hook its long-distance system to their local lines. The company also needs to cut the time it takes to deliver such services as on-line offerings to customers. Only then will it be better able to push a wide range of new phone and data services to its much-coveted base of 90 million customers. Analysts say the Bells could capture as much a third of the current $70 billion long-distance market within a couple of years of entering the business.

But Mr. Allen said AT&T will be streamlined for competition. He declared that it intends to "take a basic $25-a-month long-distance customer and convert him or her into a $100-a-month customer for a broader bundle of services that includes long distance as well . . . the 180-degree opposite of commodity service."

"AT&T is going after the local service market with everything we've got," Mr. Allen declared.

The Bells have their own plans to keep AT&T at bay as they attack its long-distance turf, but Mr. Allen predicted "it could be well into the next century before any of them serve their first long-distance customer in their own territory."

This is because recently passed telecommunications legislation requires the Bells to open up their local markets fully to competitors,

including letting companies such as AT&T hook up to their local-phone lines, before the Bells themselves can offer long-distance service.

Mr. Allen said AT&T intends to hold the Bells' feet to the fire. "We didn't send our lawyers on vacation," he declared. "We are already bird-dogging the FCC and the state regulatory commissions."

AT&T's easiest route into the local market will be to sell services by leasing some of the lines and other facilities already owned by the Bells. Or, "we will go all the way around the local networks," using alternate access providers currently covering 70 cities, Mr. Allen said.

Using this new system, Mr. Allen said AT&T plans to capture a third of the local market "within a few years. . . . Even if we only take 20% of that addressable market share by the year 2000, that would mean an additional $15 billion to $18 billion a year in revenue for AT&T."

The local service will become part of an AT&T bundled offering that includes wireless, Internet and other services. Mr. Allen said that cellular phone service, which generated $3 billion in revenue in 1995, "could be a $7 billion-to-$8 billion-a-year business for us in five years or less."

On-line services and AT&T's planned satellite-television service, a joint marketing venture with General Motors Corp.'s Hughes Communications subsidiary, should contribute an additional "multibillion-dollar revenue stream" to AT&T's overall revenue in the same five years or less, Mr. Allen said.

Overall, "for the next few years, we see ourselves growing revenue at least at the broad industry rate, which we think will likely be 7% to 8%," Mr. Allen said. "I expect healthy top-line [revenue] growth, short-term and long-term."

To improve earnings, AT&T will have to fight hard to cut some costs over which it has little current control, but it is gaining increasing leverage with every plan to expand into new services. The company is cutting its work force to keep its payroll lean, but it must also reduce the fees it pays local phone companies in the U.S. and abroad for completing calls that ride over the AT&T long-distance network. Currently, those expenses amount to some $17.5 billion a year.

"There's a lot more potential savings on that one," Mr. Allen noted.

Regarding AT&T's restructuring, Mr. Allen said the company will probably spin off the remaining 82% it still holds in its equipment arm, now called Lucent Technologies Inc., by late in the third quarter. (One person familiar with AT&T's plan later said it will take place Sept. 30.) The spinoff of NCR Corp., AT&T's computer unit, should be completed by the end of the fourth quarter, according to AT&T's original plan, Mr. Allen added.

Can AT&T Beef Up?

Mr. Allen's ambitious revenue goals

	1995 (billions)	WITHIN FIVE YEARS* (billions)
Long-distance	$43	$60-$63
Local	1	18-30
Wireless	3	7-8
Total	47	85-101

*Estimated, would presumably include satellite-television services to begin later this year.

Note: Numbers based on projections made by AT&T Chairman Robert E. Allen

I0601 * End of documents in list. Press ENTER or enter another command.