



Department of Justice

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AT

The Department of Justice today filed a civil antitrust suit charging American Telephone and Telegraph -- the world's largest privately owned corporation -- with monopolizing telecommunications service and equipment in the United States. The suit seeks substantial divestiture by AT&T.

Attorney General William B. Saxbe said the suit was filed in U.S. District Court in Washington, D.C.

Assistant Attorney General Thomas E. Kauper, in charge of the Antitrust Division, said Western Electric Company, Inc., a wholly-owned subsidiary of AT&T, and Bell Telephone Laboratories, Inc., owned equally by AT&T and Western Electric, were also named defendants.

The 23 local Bell Telephone Operating Companies -- which together with the three defendant firms make up the Bell System -- were named co-conspirators but not defendants.

Mr. Saxbe said "I am fully aware of the service that the Bell System has provided. Nevertheless, I believe the law must be enforced. We have carefully considered the possible impact of this litigation and the requested relief. Of course, the ultimate relief to be achieved will be for the court to decide."

AT&T has total assets of more than \$67 billion, and its operating company subsidiaries supply more than 80 percent of the nation's telephones.

Those subsidiaries, often in conjunction with AT&T's Long Lines Department, take part in handling more than 90 percent of all interstate telephone calls in the United States.

Western Electric Company, Inc., which manufactures telecommunications equipment for the Bell System, is one of the nation's largest industrial corporations with total sales in excess of \$7 billion in 1973.

Bell Telephone Laboratories -- the nation's largest industrial laboratory -- conducts scientific research, development and design for the Bell System.

Mr. Kauper said the complaint charged the three defendants with combining and conspiring to monopolize, attempting to monopolize and monopolizing the telecommunications service and equipment markets, all in violation of Section 2 of the Sherman Act. He said the conspiracy included various named and unnamed co-conspirators not named defendants.

He said the complaint charged the defendants with:
-- Obstructing the interconnection with the Bell System of Specialized Common Carriers, firms

which transmit voice, data, and other telecommunications on a private line basis, such as a regional telephone network designed to serve the various offices of a particular company;

- Obstructing the interconnection of Miscellaneous Common Carriers, firms which transmit audio and video programming for broadcasters, such as a microwave company which transmits programs from a television network to its affiliates;
- Obstructing the interconnection of Radio Common Carriers, firms which provide land mobile telecommunications services in competition with franchised telephone companies, such as firms which provide telephone service for automobiles and paging devices;
- Obstructing the interconnection of Domestic Satellite Carriers, the few firms which transmit voice, data, and other communications on a private line basis via satellites;
- Obstructing the interconnection of customer-provided terminal equipment and refusing to sell terminal equipment, such as telephones, automatic answering devices or switchboards, to subscribers; and
- Directing the majority of Bell System telecommunications equipment purchases to Western Electric.

The various common carriers alleged to have been adversely affected by the actions of the defendants and co-conspirators are licensed by the Federal Communications Commission to provide interstate service in competition with services offered by AT&T and its subsidiaries.

The complaint further alleges that the defendants and co-conspirators attempted to prevent, restrict, and eliminate competition from private communications systems, principally microwave systems constructed and owned by major corporations to satisfy their internal telecommunications requirements.

According to the complaint, the alleged violation of Section 2 of the Sherman Act had the following effects:

- Defendants have achieved and maintained a monopoly in telecommunications service and telecommunications equipment in the United States;
- Actual and potential competition in telecommunications service and telecommunications equipment has been restrained and eliminated; and
- Purchasers of telecommunications service and telecommunications equipment have been denied the benefits of a free and competitive market.

In addition to a decree declaring that the defendants have violated Section 2 of the Sherman Act and an injunction preventing the defendants and their agents from any future

violations, the suit seeks the divestiture by AT&T of Western Electric.

In addition, it seeks the division of Western Electric into two or more competing firms if necessary to assure competition in the manufacture and sale of telecommunications equipment.

The suit also asks that AT&T be required to separate some or all of its Long Lines Department from some or all of the Bell Operating Companies through divestiture of capital stock interest or other assets.

This could result in the divestiture of the Long Lines Department from the Bell System or the divestiture of some or all of the Bell Operating Companies -- as separate and independent companies -- by AT&T in the interest of ensuring competition in telecommunications service and telecommunications equipment.

Mr. Kauper said "the specific relief we will seek to separate the Long Lines Department from the Bell Operating Companies will depend on what is feasible based upon the evidence adduced at trial."

The suit does not challenge the concept of exclusive franchises for the provision of local exchange telephone service.