



Department of Justice

FOR IMMEDIATE RELEASE
WEDNESDAY, MAY 4, 1983

AT
202-633-2016

The Department of Justice today filed a civil antitrust suit challenging the acquisition by GTE Corporation of Stamford, Connecticut, of Southern Pacific Communications Company and Southern Pacific Satellite Company. They are wholly owned telecommunications subsidiaries of Southern Pacific Company, a San Francisco holding company.

The complaint also challenged GTE's expansion, through its regulated telephone companies, into the information services field. Pursuant to the parties' agreement in principle announced April 22, 1983, the Department simultaneously filed a proposed consent decree that would terminate the suit.

The complaint, which alleged a violation of Section 7 of the Clayton Act and Section 2 of the Sherman Act, and the proposed consent decree were filed in U.S. District Court for the District of Columbia.

William F. Baxter, Assistant Attorney General in charge of the Antitrust Division, said the complaint alleged, among other things, that the acquisition would violate Section 7 of the Clayton Act because it could substantially lessen competition in the provision of intercity telecommunications services.

In addition, GTE's expansion through its regulated telephone companies into the information services field would create a

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substantial probability of anticompetitive conduct in violation of Section 2 of the Sherman Act, according to the complaint.

GTE operates local telephone companies in 31 states and Southern Pacific Communications provides various intercity telecommunications services. These include "Sprint," a long-distance telephone service that competes with MCI, American Telephone and Telegraph Company and other long-distance carriers.

The proposed consent decree would require that:

- (1) GTE maintain total separation, in assets, operations and personnel, between the acquired companies and all GTE local telephone operating companies;
- (2) GTE offer equal and nondiscriminatory exchange access, on an unbundled, tariffed basis, to all long-distance telephone carriers and information service providers;
- (3) any information services offered by a GTE local telephone company be offered only through an entity within the telephone company kept separate from its regulated operations;
- (4) GTE's local telephone companies would be prohibited from providing intercity telecommunications services outside defined areas but would be permitted to utilize, subject to some conditions, their existing intercity facilities.

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Baxter reiterated an earlier announcement that, should the safeguards envisioned by the proposed decree prove inadequate, the Department would not hesitate to pursue other remedies, including divestitures where appropriate, both under the antitrust laws and under provisions in the proposed decree.

In accordance with the Antitrust Procedures and Penalties Act of 1974 ("Tunney Act"), a Competitive Impact Statement regarding the proposed decree has been filed with the court. Copies of this statement and of the proposed decree are available on request in the Legal Procedure Unit, Room 7416, Department of Justice, Washington, D.C. 20530. They are also available for inspection in the Office of the Clerk of the U.S. District Court for the District of Columbia.

Comments to the Department regarding the proposed decree are invited from the public. The comment period under the Tunney Act typically runs for a period of 60 days. If the court grants a request submitted by the Department, the public comment period will not expire until 20 days after a decision by the Federal Communications Commission on GTE's application to acquire the Southern Pacific telecommunications subsidiaries. In no event, however, will the comment period be less than 60 days from the date of necessary publications to be made in the Federal Register. GTE cannot consummate the proposed acquisition unless it receives the approval of the FCC.

Comments concerning the proposed final judgment should be sent to Stanley M. Gorinson, Chief, Special Regulated Industries Section, Antitrust Division, U.S. Department of Justice, Washington, D.C. 20530.