

Computer Curb Lifted For Phone Companies

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WASHINGTON, April 7 — The Federal Communications Commission, by a vote of five to two, authorized today a sweeping deregulation of the telecommunications industry.

As a result, the American Telephone and Telegraph Company, the industry giant, could move well beyond its traditional voice-operated telephone network and plumb the profitable and burgeoning businesses of linking computer to computer for data transmission. And big computer companies could enter phases of the telecommunications industry.

The home telephone user would see little immediate impact, however, for the commission's vote left intact long-standing regulations over home telephone service and its rate structure.

Nevertheless, the long-term impact of the decision could be substantial on household phone users. The lifting of

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regulations is expected to get "smart" phones to market much sooner than expected, along with electronic switching that will complete a coast-to-coast call in two seconds rather than the 10 seconds it takes now.

The advanced phones will let customers call back automatically (without redialing) when a busy line becomes free, store and record messages and seek a customer at other numbers. Such phones could also screen out certain callers, set up conferences and offer many other features.

"Today we have removed the barricades from the door to the information age," said Charles D. Ferris, chairman of the F.C.C. "The supply of communications products and services will be limited only by the ingenuity of businessmen and scientists — Government will no longer be the barrier."

Although other companies provide computer-related services at present over lines leased from the Bell System, A.T.&T. itself, heretofore, has been barred from offering data-processing services by a 1956 Federal Court consent decree. Today's decision ending the effects of that decree would be phased in over the next two years. Although A.T.&T. has tried to undo the decree both by lobbying before Congress and appealing to the F.C.C., today's move resulted from an investigation of computer-related services that the commission itself initiated.

As a result, the businesses, educational institutions and Government agencies that benefit from using computers and information-retrieval systems may expect a new burst of services from A.T.&T. and the nation's

1,500 independent telephone companies, a \$50 billion industry.

Some relatively small operations, such as the General Telephone and Electronics Corporation's Telenet and Tymnet, already offer efficient computer-enhanced networks with the ability to shunt high-speed data among computers. A.T.&T. had been unable to offer such services, because under the 1956 decree the company was limited to computer technology "incidental" to communications.

Now the Bell System will be able to get into the newer fields in time to offer such items of the 1980's as home and office computers, computerized school instruction, meter reading from remote distances, remote control of lighting, heating and cooling and other services.

With the Bell System free to compete without Government interference, officials in the Commerce Department say they believe Bell and other American enterprises can help the United States hold its own in the fast-growing telecommunications field — which has already become a target of the Europeans and the Japanese.

The area of the telephone business that would not be deregulated is basic telephone service — communication between individuals. The F.C.C. would still consider requests for changes in long-distance phone rates, and states would retain their control of intrastate phone rates.

But so sweeping was today's action that even commissioners favoring the move conceded that legal challenges were likely to be filed and that the Justice Department, which has oversight responsibility for the 1956 decree, might even challenge the commission's

authority to let A.T.&T. enter the new business. The smaller companies that have pioneered in this field in the last 10 years, such as Graphnet, MCI Communications and Telenet, now G.T.E. subsidiary, could also be expected to challenge the action.

With the maze of regulations removed from telecommunications, companies such as the Xerox Corporation and the International Business Machines Corporation would find it more even inviting to vie with the small companies, offering their own versions of high-speed data transmission systems — networks able to process, store, retrieve and distribute information — and various services to connect the large numbers of computers across the nation.

In a statement tonight, A.T.&T.'s vice chairman, James E. Olson, said the company appreciated the intent of the commission in its action today, adding, "We look forward to competing in a deregulated terminal market and in data communications products and services."

But while today's action provides new corporate freedom, it comes at a price that A.T.&T. may be reluctant to pay.

Mr. Olson said the company was troubled by several specifics of the proposal, including the "too brief" transition period of two years and "the degree of separation the order places between the Bell operating companies on the one hand and the Bell Laboratories and Western Electric on the other."

To offer unregulated computer-enhanced services, A.T.&T. and G.T.E. (the second-largest phone company) must do so through separate subsidiaries. This is required so that they will

not be able to use money earned from regulated telephone rates to subsidize the cost of unregulated products and services.

A.T.&T. sources said the company was "almost certain" to ask the commission to reconsider the areas with which it has problems.

A bill in the House would do almost exactly what the commission approved administratively today. Representative Lionel Van Deerlin, of California, chairman of the communications subcommittee and chief sponsor of the bill, said: "The F.C.C. has hit a home run with its new policy. As a result, the House should consider scaling back its own legislative efforts."

While today's action by the commission was officially "final," Mr. Ferris indicated that the agency would be open to requests for reconsideration from companies whose interests may be involved.