The Road Ahead – Part 6

Force allocation and assignment planners get the green light to move ahead with all due speed.

Ask anyone. Force allocation and assignment -- the process of determining which employees will work for the operating companies and which for the AT&T entities after divestiture -- is the hottest topic in town. Any town.

The shape of the outcome is known: The vast majority of the Bell System's nearly one million employees will do the same work they're doing now. Most will work in the same geographical areas, but -- in some cases -- employees may move from an operating company to an AT&T entity or vice versa.

Still, specifics about the outcome are largely unknown. Coming up with the answer to the big question, "Where will I work in the new world -- and what might I be doing?", is the responsibility of the Bell System officers in charge of the work functions involved. Several committees have been formed to "facilitate the force allocation and assignment process and to make sure matters are handled as smoothly as possible," says Robert B. Stecker, AT&T assistant vice president-human resources staffing development.

These committees, known as regional personnel assignment committees (RPACs)', have been formed in each operating region. And an AT&T committee (APAC) has been formed to "coordinate the development of specific force-assignment processes and to give overall guidance and assistance," Stecker says.

In their positions on either the AT&T or regional committees, managers must determine which job functions will remain entirely with the operating companies, which will transfer in toto to AT--T,and which will require methodologies -- criteria -- to split workforces between the two groups.

The first two situations are the easiest to delineate because force assignment usually follows asset assignment, say
Richard J. Campbell, AT&T directorhuman resources management staffing and development, and Kenneth J.
O'Brien, AT&T director-corporate planning. Campbell and O'Brien chair the AT&Tpersonnel assignment committee.

The people and facilities providing services primarily between local access and transport areas (LATAs) will be assigned to the new AT&T;those providing services principally within LATAs will be assigned to the operating companies. But in that fuzzy area- in those job functions needed by both groups- are complex staffing questions that must be studied and resolved. Members of the AT&T and regional personnel assignment committees are charged with adding form and definition to the task. In so doing, they will oversee a four-step process.

As *Bell Telephone Magazine* went to press, the first step -- and the first key deadline- was to have occurred: agreement by March 31 on the methodologies for separating the workforce based on existing job functions. Though the task may seem simple, no one methodology applies to all job functions, Campbell points out. The work of account executives, for example, cannot be apportioned on the same basis as that for outside plant construction employees.
The second step of the process also had a target day of March 31:To estimate January 1, 1984, force requirements by function.

By May 15, the third step must be completed:figuring out the differences between post-divestiture force requirements and the number of available personnel. This is the organizations' first clear look at force imbalances, though imbalances must be identified earlier if possible and agreement reached on ways to resolve them- through retraining, transfers, or attrition. If force imbalances still exist at divestiture, the *Plan of Reorganization (POR)* requires that shortages and surpluses be shared equitably by AT&T and the operating companies.

SPECIFIC ASSIGNMENTS BY SUMMER'S END

The fourth and last event- and perhaps the one most eagerly awaited by employees- is the assignment of people by name to the organizations for which they'll work; this is the so-called "person-specific assignment." Like the assignment of employees between the operating companies and American Bell that occurred in late 1982, post-divestiture assignments will be based on the needs of the business. "To the extent that work groups are divided, employee preferences will be accommodated wherever possible" Campbell says. An employee communications package explaining the personnel selection and notification processes will be developed by employees' functional organizations.

Specific assignments must be decided and approved before the end of the Summer, though many work groups will
be able to notify their employees much earlier. By October 1, all work groups will be reviewed for what the *POR* calls "intervening events," and adjustments will be made where necessary. December 1 is the final deadline for assigning employees to the correct payrolls, though that process actually might have started as early as April 15 in some areas of the business.

As the foremost facilitator for assigning jobs and resolving force imbalances, the regional committees carry direct responsibility for ensuring that the personnel assignment objectives contained in the *Plan of Reorganization* are met.
Each of the seven committees includes representatives from the operating companies in the respective regions as
well as from the prospective AT&T interexchange and embedded base organizations and from Western Electric. The

AT&T committee resolves policy questions and develops assignment procedures, time frames, and sample allocation methodologies.

Regional committees work in different ways, depending on their management styles and the characteristics of the region. The single-state Pacific region, for example, with its already "highly centralized staff and line controls," was able to devise methodologies for assigning work functions well before the March 31 deadline, reports Benjamin W.Dial, human resources vice president for the prospective region and RPAC chairman.

On the other hand, personnel assignment in the 14-state Mountains and Great Plains region is far more complicated because the region's boundaries don't coincide with the boundaries of AT&T organizations represented on the committee. A larger workforce must be considered because the AT&T entities cover territories stretching beyond the region's companies- Mountain Bell, Northwestern Bell, and Pacific Northwest Bell m and include territories of the Pacific and Southwestern companies as well. To ensure that the committee works efficiently, allocation questions are resolved at "the lowest levels possible," says James W. Stubner, personnel vice president at Pacific Northwest Bell and RPAC chairman. "We have a minimum number of people on the formal committee m just the key personnel assistant vice presidents in each of our three companies, plus the AT&T representatives -- who resolve problems that can't be resolved at the working level. We want to keep the flow of paper and the number of meetings to a minimum."

The Mountains and Great Plains region has identified the "clean" splits – the *en masse* transfer of TSPS operators to
the prospective AT&T interexchange entity, for example- as well as some potential problems. One such potential problem is the expected shortage of employees available to work in operating companies' state regulatory epartments; the anticipated shortage is the result of the region's attempts to "seed" the interexchange entity with experienced state regulatory employees from the operating companies. After divestiture, the regional interexchange organization will have to deal with state commissions for the first time.

Describing a situation common to all the regions, Stubner says, "We're trying very hard to provide operating-company resources to the new AT&T entities, but we have to think ofour future needs, too. We cannot completely denude ourselves of certain skills." In the process, he adds, "we're doing our best to listen to employee preferences and to act on them where possible."

FORCE-SPLIT TRIAL

Stubner, in describing the working relationships among those directly involved in the allocation and assignment process, says, "Our intent is harmony. And we often achieve it. But a subject this complex, compounded by the problem of geographical boundaries, might present problems if we didn't work together to try to prevent that. Goodwill and people of harmony won't make the process work automatically. I don't want to minimize the amount of hard work, negotiating, and roundtable resolutions we need to get into. But I also don't want to downplay our conviction that we *will* make it work."

The region was scheduled to begin a simulated division of operator services functions as early as April. That's when
TSPS operators in Mountain Bell and Northwestern Bell were scheduled to start reporting on a dotted-line basis to
management in the prospective AT&T interexchange entity (while remaining on their companies' payrolls until divestiture occurs). "Through simulation, we can learn if we've split the force and assets correctly," Stubner explains. "We also can fine-tune the 1984 budgets for the operating companies and the interexchange organization."

Simulation began even earlier in the Southeast region. Southern Bell and the prospective interexchange entity divided assets, facilities, and personnel needed to provide switched services and special services in Georgia. The project had been in the works since last November, when Southern Bell, Long Lines' Southern Area, and AT&T first proposed the idea. After the trial got off and running in February, it became a prototype to test the personnel- assignment process in general and the division of central office functions in particular. Not only were the assets used to provide inter-LATAservices assigned to AT&T m including electronic switchers, TSPS base units, and radio stations -- but some 120 Southern Bell employees also were reassigned to Long Lines on a dotted line basis and three Long Liners were assigned to Southern Bell.

The Southeast region is stepping ahead in the allocation process as well, according to Nathaniel R. Johnson, the designated corporate human resources vice president for the prospective regional holding company and RPAC chairman. After ratios were agreed upon to allocate personnel among functions that will be split, the ratios were compared with current head-count to discover and resolve discrepancies. "We're already beginning to get a picture of force imbalances," Johnson says. One such imbalance is the probable shortage of business service reps once the embedded base organization transfers to AT&T. Thanks to the current forecast, however, "we don't anticipate any major problems in determining our force allocations," he says.

As for the functional realignment of the AT&T General Departments, more than half the 13 thousand employees have been assigned to either the prospective AT&T entities or to operating company units, says Robert E. Lloyd, AT&T division manager-corporate planning. As leaders of the prospective central staff and interexchange organizations continue to be named, more General Departments employees will be assigned to those groups, he adds. Job functions for the prospective AT&T corporate management group are being reviewed once more, with negotiations
"all but complete" on the number of people needed to do the work. The next step in the process is for many in the corporate management group to learn what many in the entire Bell System want to know for sure: exactly what their person-specific assignments will be in the post-divested world.

Elsewhere, the news was certainly mixed, but investors and inveterate Bell-watchers couldn't have failed to glimpse
the drama and debate swirling in the arenas of finance and law

On the morning of March 10, Moody's Investors service downgraded the bond ratings of virtually every Bell system company, including the AT&T parent and western Electric. The downgrading, believed to be the largest in corporate history, cost AT&T and its subsidiaries the treasured triple-A credit ratings that most had held for 20 years. As a result of the downgrading, AT&T and the operating companies may have to pay higher interest rates on future borrowing.

AT&T'Ssenior debt was lowered a notch to Aal, 16 other Bell units were downgraded by three or more levels, and two
companies -- chesapeake & Potomac Telephone company of west Virginia and Michigan Bell -- were cut six levels to A3 from Aaa. In explaining the action, Moody's said it viewed the impending divestiture as raising the business risk in each of the units. All told, Bell System companies have issued some 47 billion dollars in long-term debt.

Reaction from AT&T and the investment community was swift. "I don't accept the proposition that one rating agency's opinion is going to prevail," stated William S. Cashel, Jr., AT&T vice chairman and chief financial officer. "These are harsh ratings not borne out by the facts. For the most part, the financial position of Bell companies has been improving, not deteriorating. Interest coverage is better. Debt ratios have been reduced significantly, aided by equity sales such as the one announced February 28 and the one held last December." Cashel also pointed out that the Chicago-based Duff &Phelps credit-rating agency had assigned its highest rating- D&P-1 m to the AT&T parent debt just a month earlier. Fitch Investors Service is maintaining its ratings on AT&T and subsidiary units, calling for "no wholesale downgrading of the Bell System." E.F. Hutton analyst Alice Bradie cautioned that the Moody's downgrading "is likely to be erroneous."

As the day's prices of Bell System bonds outstanding sank as much as 15 dollars for each one thousand dollars of face value, AT&T'S stock price rose. Then, in a perfect counterpoint to the morning's news, the company announced that afternoon an offering of 16 million common shares. And AT&T common stock closed 50 cents higher.

By the next day, March 11, the entire issue was sold m plus another 1.6 million shares m for 1.17 billion dollars, surpassing the previous one-billion-dollar record the company had set three months earlier. Also on March 11 – one day after the Moody's announcement a Bell company entered the debt market for the first time in more than a year.
South Central Bell declared that it planned to sell as much as 250 million dollars in long-term debt, using the proceeds to repay interim debt.

None of the operating companies has sold debt to the public since the Consent Decree was announced in January, 1982, because of financial uncertainties arising from the agreement. Those circumstances drove the parent company into the Eurobond market a year ago, where AT&Traised 400 million dollars. AT&Thas made increasing use of equity funding as well, in part to compensate for the two billion dollars a year the operating companies have typically raised in debt markets to finance construction programs. AT&T'S common-stock offerings were made in a booming market that has seen AT&T stock trade near 70 dollars a share during the first quarter of the year, up from 50 dollars a share just nine months before.

As if to confirm the bullish prospects, newspapers reported four days later on March 15 -- that AT&Ttopped the buy lists of the nation's institutional investors during the fourth quarter of 1982. Banks, brokers, insurance companies, and pension funds increased their AT&T holdings by 819 million dollars.

To round off the drama on Wall Street, Standard & Poor's on March 24 released its ratings on the outstanding debt of 20 of the wholly owned Bell companies. One day earlier, it announced that South Central Bell's AAA rating was maintained. The new ratings show that eight Bell companies, including South Central, maintained the AAA rating that almost all the companies had held. New England Telephone maintained AA +, its previous rating. Four other companies received AA + ratings; six received AA; one received AA-. Pacific Telephone was upgraded from A- to A +. As this magazine went to press, ratings were still pending for AT&T parent, Western Electric, Southern New England, and Cincinnati Bell debt.

Equally public, but considerably less dramatic, were the comments submitted to U.S. District Court judge Harold H. Greene in reply to AT&T'S*Plan of Reorganization*. More than 50 organizations including state regulators, consumer groups, competitors, and labor unions addressed a number of topics, principally: the alleged centralized procurement functions to be included in the operating companies' central services organization (such functions are nonexistent); use of Bell trade names and trademarks after divestiture; operating company viability; and a perceived lack of restraint on AT&T'S and the operating companies' ability to compete.

TRADEMARK PROPOSAL

In a 617-page filing submitted March 14, AT&T vigorously defended the divestiture plan and proposed a number of amendments, most of which were suggested by the Justice Department. Chief among the amendments was a proposal under which both AT&T and the 22 operating companies could use different versions of Bell trademarks after divestiture. AT&T'Soriginal recommendation had drawn heavy fire from competitors, who charged that American Bell Inc. would have an unfair competitive advantage if it were allowed to use the Bell name after divestiture in tandem with the operating companies. The new plan proposes allowing the divested companies to use the Bell logo and the name "Bell" within their respective geographic territories, but only if they use the trademarks and logo in connection with providing exchange and printeddirectory advertising services and not in connection with selling telephone equipment. AT&T

would use the trademarks "Bell" or "Bell System" only when modified by "American," and it would not be able to use the Bell logo.

On March 24, the Justice Department approved AT&T*'S Plan of Reorganization,* adding more amendments to bring the total to 35, and urged the court to approve the plan. However, Justice conditioned its approval on, among other things, a review of the second round of intervenors' comments, due April 13. After that date, the judge may approve the plan, as amended, or he may request other changes as well.

Divestiture-related activity also occurred on two other fronts: **--** On March 1, AT&T and the operating companies asked the FCCfor authorization to transfer interstate lines and radio licenses in connection with implementing the consent Decree. The FC*C* must decide if the transfer of assets is in the public interest under the terms of section 214 of the 1934 communications Act. In addressing the subject, AT&T estimated that the company will spend 1.9 billion dollars through 1987 for network costs related to implementing divestiture and for providing equal access. In its three-foot-thick filing, AT&T asked the FCCto approve the applications promptly to avoid damaging the Bell System's financing, network operations, and customer service.

And*,* in rather simple fashion, the Supreme court on February 28 closed the book on one of the nation's most complex antitrust cases. It approved the consent Decree between AT&T and the Justice Department, removing some of the uncertainty about the Bell System's future. In describing its position on an agreement that took eight years to make, the court used only four words: "The judgment is affirmed."

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