

AT&T faces biggest antitrust suit

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penalties for antitrust convictions as part of his 31-point economic program.

However, Deputy Assistant Attorney General Keith Clearwaters denied that the decision to file the case now had anything to do with the change of administrations. He said President Ford has been kept advised of progress in the AT&T matter which has been developing over a period of years.

In 1949, the Justice Department filed a less comprehensive antitrust action against the Bell system, seeking divestiture of Western Electric and disclosure of certain patents held exclusively by Bell.

The case dragged on for several years and finally, in 1956, the parties signed a consent judgment which freed some technological patents but kept Western Electric under the Bell corporate umbrella. The latest complaint is much broader than the 1949 case, in part because it includes alleged Bell anti-competitive practices against microwave, satellite and other sophisticated communications media that have only come into widespread use in recent years.

AT&T has assets of more than \$67 billion and along with its subsidiaries, supplies more than 80 per cent of the nation's telephones. Through its long lines department, AT&T handles, at least in part, more than 90 per

cent of all interstate telephone calls in the United States.

The government asked the court to order AT&T to divest itself of Western Electric, and further to break up that subsidiary "into two or more competing firms if necessary to assure competition in the manufacture and sale of telecommunications equipment."

If Western Electric, with 150,000 employees, assets of about \$5 billion and profits of more than \$300 million, were made an in-

dependent company separate from AT&T it would rank as the 10th largest corporation in the nation, a company spokesperson said.

"All available data establishes that any break-up of the Bell System would cause the country's communications service to deteriorate and make it more expensive," he added.

Western Electric is the main supplier of equipment to AT&T and its operating companies. It refuses to sell to competitor phone companies, although Bell companies are allowed to buy from other suppliers.

The third defendant, Bell Laboratories, is the nation's largest industrial research organization.

"I am fully aware of the service the Bell System has provided," Attorney General William Saxbe said in a statement released with the complaint.

"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."

The department stressed it was not challenging the practice that gives local telephone companies

exclusive franchises for services in a specific area.

But the suit did ask that AT&T be required to break up some or all of its long lines department from the various operating companies of the Bell system.

The 23 local Bell Telephone operating companies, which together with AT&T, Western Electric and Bell Labs make up the Bell System, were named co-conspirators but not defendants in the complaint.

AT & T chairman 'astonished' by Justice Department's action

NEW YORK (UPI) — John deButts, AT&T chairman, said Wednesday that if the government is successful in its antitrust suit against the communications giant, it "could lead to fragmentation of the nation's telephone network."

"If that happens, telephone service would deteriorate and cost much more," he said in a statement.

He said he was "astonished" the Justice Department would file such an action "with apparent disregard for its impact on the public."

DeButts said the suit "represents an attempt to change through the courts what has been national policy for six decades."

"The telephone network to work efficiently must be designed, built and operated as a single entity. It is for this reason...that the Bell System is structured as it is."

This structure, he added, "has existed in essentially its present form for the better part of a century and it is in very large measure responsible for the advanced development of telecommunications in this country and its low cost."

He said the structure has been "repeatedly examined" by Congress, the courts and regulatory bodies and every time its appropriateness has been confirmed.

He noted the Justice Department in 1956 ended a seven-year investigation of "every aspect of our business."

"This investigation resulted in a consent decree and final judgment under which our business has operated ever since."

DeButts added:

"We are confident that we are not in violation of the antitrust laws and are astonished that the Justice Department would take its present action with apparent disregard for its impact on the public."

A spokesman for Western Electric, who declined to be identified, echoed deButts' comments.

"Available data establishes that any breakup of the Bell System would cause this country's communications service to deteriorate and make it more expensive for the public."

He said Bell telephone affiliates have been free to buy their equipment from any company of their choice.

"When they buy from us, they get the best deal. Our prices generally are about 70 per cent of the lowest available in the trade."

However, he added, Western Electric does not sell outside the Bell system because it's "a full-time job just keeping Bell companies supplied."

Generally stockbrokers felt the Justice Department suit would send "shock waves" throughout the investment community,

having some downward impact on AT&T securities initially. But they felt the impact would lessen with the passage of time.

Ralph Acampora, vice president of Harris, Upham & Co., noted that AT&T was one of the "bellwethers" of the blue chip area and "any kind of action like this against a blue chip will send reverberations through the market."

"Psychologically, it will have a much bigger impact than the final resolution of the suit, which undoubtedly is years away."

Larry Wachtel, analyst for Bache & Co., said the suit was sure to be "a shock wave" to the stock market.

"It probably will have some

effect on the company's stock and bond prices, and be an overhanging cloud for some time. But things should return to normal because these things take years to settle, and certainly nobody thinks that AT&T securities will remain depressed for too long."

Monte Gordon, vice president of Dreyfus Co., pointed out that the possibility of separating Western Electric from AT&T has been in the minds of many on Wall Street for years.

"But this announcement is a shock in that it had not been anticipated at this time," Gordon added. "The stock market certainly doesn't need anything like this now."

FBI director refuses to say he won't revive secret bureau programs

WASHINGTON (UPI) — FBI Director Clarence Kelley Wednesday refused under repeated prodding by House members to promise he would under no circumstances revive the secret bureau programs conducted in the 1960s to disrupt activist political groups. Kelley, under questioning by members of the House judiciary subcommittee on constitutional right, would only go so far as to say he would not revive the "Cointelpro" activity, instituted by J. Edgar Hoover, without prior approval of the attorney general.

Cointelpro included an active FBI role in surveillance, infiltration, and planned disruption of domestic political groups by defaming them and their leaders—sometimes with forged materials; sometimes with secret investigative information. It apparently was established and conducted without the knowledge of anyone outside the FBI. The avowed purpose was to disorganize and discredit the groups. Targets ranged from violence-oriented leftist and black extremists to the Urban League and the National Student Association.

Kelley said Hoover was responding to a wave of violence directed at overthrowing the government and the FBI would be "abdicating its duty" if it had not sought to disrupt the organizations he felt were fermenting disorder.

Kelley said he has concluded some of the disruptive activities were "improper" violations of constitutional rights of the members of the targeted organizations but refused to say he would not favor reviving Cointelpro programs if circumstances warranted.

"If I see any extraordinary situation in which extraordinary

moves are needed to counteract it, I would present it to the Department of Justice," Kelley said.

Rep. Jerome Waldie, (D-Calif.), said the subcommittee was left with the problem of having only Kelley's verbal assurance that he would first go to the Attorney General.

"I don't think Mr. Kelley is capable of respecting that responsibility," Waldie said. "I have found no evidence that gives me confidence that he is capable of respecting that responsibility."

Deputy Attorney General Laurence Silberman, seated beside Kelley, said both he and Attorney General William Saxbe, who was out of town, had a close working relation with the FBI and complete confidence in Kelley.

Saxbe said earlier most of the Cointelpro activity was "legitimate." Other activity included tipping off employers and creditors about radicals, infiltrating, giving out false and damaging information, and using anonymous tips to create distrust among members.

Chairman Don Edwards, (D-Calif.), opened the hearing with a formal statement denouncing a statement Kelley issued last Monday when Saxbe made public an internal committee investigation of Cointelpro.

"I suggest that the philosophy of supporting Cointelpro is the subversive notion that any public official, the President or a policeman, possesses a kind of inherent power to set aside the Constitution," Edwards said.

First exposed by burglary of papers from the FBI office at Media, Pa., in 1971, Cointelpro was further brought to light by suits brought under the Freedom of Information Act. Saxbe ordered an investigation which was completed last May.

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