



AT&T: An Industry Leader No More

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News from AT&T isn't improving. Its recent Q3 earning release validates its removal from the Dow Jones Industrial Average last April. The DJIA had cited in its decision to remove AT&T that "there are no pre-determined criteria" by which stocks are "added or deleted" to or from the DJIA, said John Prestbo, editor of Dow Jones Indexes. All 30 stocks in the Dow were reviewed and it was decided that three – including AT&T – would be replaced. "We intend that all components be established U.S. companies that are leaders in their industries," said Prestbo. It is now correct to say that while AT&T is an established U.S. company, it is no longer a leader in the industry to which it gave life.

In July, AT&T announced a restructuring that outlined its migration away from the residential market. AT&T "will no longer be competing" for new residential customers. While existing customers will continue to receive service, the company has chosen to focus on its business customers and on emerging technologies. AT&T states that its withdrawal from the residential market is a consequence of the rulings against discounted wholesale access to the RBOCs networks (See June *Pipeline*). Amid protests from AT&T, MCI, and smaller competitors, the Administration and the Supreme Court allowed the old rules to expire without contest. Yet even with the wholesale discount, AT&T was losing strength in the residential market. According to the recently released FCC Statistics of Communications Common Carriers, AT&T has had toll service revenues decline by more than 40 percent since 1998, and its share of toll service revenue among all long distance toll providers has dropped more than 25 percent since 1996.

In the last few weeks, AT&T announced workforce cuts for 2004 summing 20 percent and a large loss for the quarter. The Q3 announcement shows AT&T taking an \$11.4 billion asset impairment charge and \$1.1 billion for 12,500 layoffs. The asset impairment charge reflects the decrease in value of the network due to sustained, competition-driven price pressure and the shift in services toward new technologies, in addition to the changes in the regulatory environment. The Communications Workers of America have protested the layoffs, claiming their jobs are being sent overseas where labor is cheaper. AT&T responded to CWA's accusations in a press release, denying the movement of jobs. AT&T attributes the cuts to its declining market presence.