

DATA PROCESSING RULED ON BY F.C.C.

Carriers Told They Must Form Separate Affiliates

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WASHINGTON, March 18—The Federal Communications Commission ruled today that all large communications companies must set up totally separate affiliates if they want to sell data-processing services.

The F.C.C. said that parent companies—those with operating revenues of \$1-million or more annually who are subject to Federal regulation as common carriers—may not purchase data-processing services from their own affiliates. The rule was described as one “designed to enhance competition in the data-processing field.”

But the F.C.C.’s chairman, Dean Burch, and commissioners Robert E. Lee and Robert Wells said that to deny a common carrier access to its own computer-services affiliate was “a classic case of regulatory overkill.”

Commissioners Thomas J. House, H. Rex Lee, Robert T. Bartley and Nicholas Johnson voted in favor of the regulation.

Independent data-processing companies had urged the F.C.C. to forbid the entry of common carriers into the burgeoning computer-services field.

Under the new rule, each affected common carrier choosing to set up a separate affiliate “shall not promote or sell data-processing services” on behalf of the affiliate or allow the affiliate to use the name or symbol of the carrier in the affiliate’s name or promotion of its activities.

The ruling means that no

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common carrier, such as the General Telephone and Electronics Corporation, RCA Communications, Inc., the Western Union Telegraph Company or Microwave Communications, Inc., can sell excess data-processing time from their computers to anyone without first setting up a separate affiliate company.

"Each separate corporation must maintain its own books, have separate officers, utilize separate operating personnel and utilize computing equipment and facilities separate from those of its common-carrier affiliate for its data-processing activities," the F.C.C. said.

The Bell System companies are covered separately. Barred by a 1956 consent judgment against the American Telephone and Telegraph Company from engaging in any business other than the furnishing of regulated common-carrier services, the Bell System will be allowed to continue data-processing services that they perform for themselves and for independent telephone companies.

But they may do this, the F.C.C. said, "only so long as these services and the costs are shared proportionately by the participating carriers."

Except for the prohibition against F.C.C.-regulated carriers buying from their own affiliates, the rule essentially affirmed a tentative decision of April 2, 1970.

"In the final analysis, the commission has acted in the usual, orthodox, knee-jerk regulatory fashion," Mr. Burch said. "Arbitrarily, without any real showing of actual or even potential abuse, we have denied a common carrier access to computer services from its data affiliate."

"Revenue requirements of carriers we regulate stand to be artificially increased and the users will have to pay for this unwarranted action," he added.

Companies Await Ruling

Spokesmen for the General Telephone and Electronics Corporation, RCA Communications, Inc., and Western Union declined to comment on the decision, stating that they had not yet read a copy of the ruling.