

April 6, 1981

SEPARATE STATEMENT OF COMMISSIONER ABBOTT WASHBURN
on CC Docket No. 79-63, AT&T Rate of Return
in which COMMISSIONER QUELLO joins

The Commission's action today was a necessary adjustment to allow the Company to keep pace with prevailing economic conditions and the volatile character of today's financial climate. The Commission last addressed the question of AT&T's rate-of-return in 1976.* Inflation and rising interest rates have characterized the intervening 5 years. It is the job of the Commission to do its best to strike a reasonable and informed balance between the needs of the rate-paying public and the financial requirements of AT&T -- requirements which are necessary to maintain service, modernize plants, and attract capital. (The Company's construction program in 1981 alone will require between \$18 and \$19 billion of capital.)

After a proceeding of two years' duration, we have unanimously reached a fully supported, reasonable and moderate adjustment: to a figure of 12 3/4 percent, with leeway of 1/4 percent in either direction. In our 1976 rate-of-return proceeding, we reached a figure of 9 1/2 percent, with leeway of 1/2 percent. Since then, interstate telephone rates have risen 5 percent while the consumer price index has gone up 53 percent and gas-electric rates have increased 73 percent.

Today's action will be accompanied by increases in interstate and foreign phone rates. Only a part of the increased revenue, however, will flow toward maintaining the Company's financial viability in the capital marketplace. Some of this revenue will go to pay increased taxes and some will flow to the independent telephone companies through the long-distance settlements process. It will be about 12 months before the company is expected to be earning up to a rate-of-return level of 12 3/4 percent.

It is discouraging that the proceeding took two years to develop the necessary data on which the Commission could fully consider the underlying elements and reach an equitable rate-of-return level.** We should do everything possible to reduce the turn-around time in future proceedings. More frequent and quicker responses by the Commission are necessary, in the public interest.

* In May, 1980, while considering a tariff, interim rate-of-return relief of 10.5 percent was granted pending a thorough review of rate-of-return in the established proceeding we have concluded today.

** In 1976, when we last conducted a full proceeding on AT&T's rate-of-return, the complete proceeding took less than a year: March 1975 to February 1976. See AT&T (Docket 20376), 57 FCC 2d 960 (1976).

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